

Monday August 10 1994
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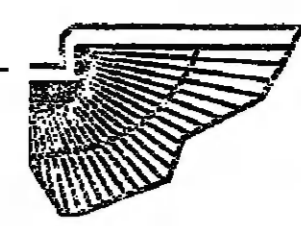
US defence
Arms groups face a
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY AUGUST 11 1994

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Pensioners back Clinton's reforms for healthcare

The US Senate's debate on healthcare opened with deep divisions over Democratic efforts to help President Bill Clinton fulfil his promise to provide health security for all Americans. The bill sponsored by Senator George Mitchell, the majority leader, received qualified approval from the Congressional Budget Office and full backing from the American Association of Retired Persons, representing 33m Americans, which said that if the bill were defeated "healthcare reform will be dead for years to come."

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Procter & Gamble 24% ahead: US consumer products group Procter & Gamble reported a 24 per cent surge in underlying fourth-quarter profits, helped by a 7 per cent rise in sales volume.

Page 13

Standard Chartered shrugs off upsets: Standard Chartered, UK-based international bank, insisted that upsets in the Hong Kong securities market and its bullion trading arm Mocatia had not affected profits and were unlikely to be repeated.

Page 13

Woman awarded £18,000 for dismissal: Samantha Phillips (left), an aviation insurance broker who claimed she was sacked after spurning the advances of a senior manager, won £18,000 (£27,900) in damages in her case for sexual discrimination and unfair dismissal. An industrial tribunal in south London awarded her only 75 per cent of full damages for unfair dismissal because it said she "behaved unwisely, foolishly and irresponsibly".

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Cost cutting increases GKN profits: Profits at UK automotive components and defence engineering group GKN rose by 62 per cent to \$97m (\$150m) in the first half of 1994 because of cost-cutting and an upturn in several of GKN's businesses.

Page 14; Lex, Page 12

Japanese interest rate cut ruled out: Bank of Japan governor Yasuhiro Mieno ruled out an early cut in interest rates, saying the economy still faced risks from a high yen and weak capital spending.

Page 3

O&Y creditors in foreclosure moves: Creditors of the US arm of failed Canadian property group Olympia & York said they would not pay O&Y \$3.5m (\$2.25m) under a deal struck in March and would begin foreclosure proceedings to gain ownership of an O&Y building in Manhattan.

Page 15

Joint venture to manage Oman gas fields: Oman handed over output of its natural gas fields to Oman Liquefied Natural Gas, a joint venture by the state-owned oil company and a consortium of foreign energy companies.

Page 4

Sumitomo to invest in Kazakh oil: Sumitomo Corporation, the Japanese trading house, is to invest jointly with German mining company Preussag in oil production in Kazakhstan.

Page 4

TNT and Ansett fined for price-fixing: Australian transport company TNT and its related company, Ansett Transport Industries, were fined A\$6m (US\$3.6m) by the country's competition watchdog for price-fixing and collusion in the air freight business. The companies did not accept guilt or liability.

Page 4

Cathay Pacific up 18%: Cathay Pacific Airways, Swire Pacific's Hong Kong-based international airline, reported first-half earnings of HK\$803m (US\$104m), up 18 per cent from the same period last year. The results follow a 23.8 per cent drop in profits in 1993.

Page 14

Hoogovens back in the black: A strong turnaround in steel enabled Dutch metals group Hoogovens to swing back into a net profit of F163m (\$35m) in the first half from a net loss of F119m in the same period of 1993.

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Esab share price rises: Shares in Swedish welding equipment supplier Esab rose further ahead of the bid price by Charter and amid speculation that the UK industrial group would raise its offer.

Page 13

Trawlermen accuse Navy: Cornish fishermen clashed with the UK Ministry of Agriculture when they complained that the Royal Navy was harassing British trawlers fishing for tuna in the Bay of Biscay instead of protecting them from the Spanish.

Page 5

STOCK MARKET INDICES		STERLING	
FT-SE 100	5167.8 (+1.8)	New York lunchtime	1.536
Yield	3.27	London	1.536
FT-SE Eurostoxx 100	1384.35 (+0.00)	DM	1.5404 (1.5362)
FT-SE-A M-Share	1885.26 (+0.14)	FF	2.4293 (2.4346)
Nikkei	28,770.25 (+180.03)	SF	2.3995 (2.3441)
New York lunchtime		Y	155.814 (155.762)
Dow Jones Ind Ave	5767.74 (+11.98)	E Index	78.3 (78.4)
S&P Composite	439.51 (+1.59)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	4.25	New York lunchtime	1.536
3-mo T-bill	4.5222	DM	1.5404 (1.5362)
Long Bond	84.1	FF	2.4293 (2.4346)
Yield	7.3974	SF	2.3995 (2.3441)
LONDON MONEY		Y	155.814 (155.762)
3-mo interbank	5.24 (Same)	E Index	78.3 (78.4)
Libor 6m	5.24 (Same)		
Libor 12m	5.24 (Same)		
NORTH SEA OIL (Argus)			
Brent 15-day (Sep)	\$17.53 (17.595)		
Y	101.155 (101.2)		
S Index	63.5 (63.5)		
New York Comex (Oct)	\$322.5 (323.0)		
London	\$378.4 (378.0)		
Tokyo close	Y 191.29		

Austria	Stoxx	Green	D850	Lux	LP45	Order	CR13.00
Belgium	Dit 220	Hong Kong	10419	Malta	LM0.00	S/Arabia	SR11
Bulgaria	BRB	Hungary	R185	Morocco	MDH15	Singapore	S\$34.30
Czech Rep	LCV0.00	Ireland	R6215	Neth	FL 4.00	South Africa	R5.50
Cyprus	CE1.10	India	R640	Nigeria	Naira	Spain	P2225
Denmark	DKK20	Israel	S\$461.00	Norway	NOK17.00	Sweden	SKr16
East	ES\$0.00	Japan	JPY100	Oman	OMR1.00	Switzerland	Sfr5.30
France	FF40	Jordan	JOD1.00	Pakistan	Pak Rupee	Syria	S\$10.00
Germany	DM1.00	Kuwait	KWD1.00	Poland	PLN20.00	Turkey	TL100.00
Greece	GRD200	Lebanon	LIB1.00	Portugal	Portugal Escudo	UAE	Dir12.00

Extra cash vital to prevent TB epidemic in Asia

By Paul Abrahams in Yokohama

Up to 12m lives could be saved in developing countries over the next decade if the industrialised world increased annual spending on its anti-tuberculosis programmes by between \$100m and \$150m, the World Health Organisation said yesterday.

The organisation warned that TB and HIV, the virus that can lead to Aids, threatened to combine to create a huge epidemic in Asia, dwarfing the one now

Health group warns that tuberculosis and Aids jointly threaten 12m lives

sweeping Africa and other parts of the world. The world's aid agencies spend only \$18m a year on fighting TB, yet it can cost as little as \$13 to cure someone of the disease. Dr Arata Kochi, manager of the WHO's tuberculosis programme, told the 10th international conference on Aids in Yokohama.

Annual TB/HIV deaths in Asia would surpass those in Africa by

the end of the decade, he added. Over the next 10 years the cost of the Aids epidemic alone could reach \$52bn, according to the WHO. Dr Tadao Shimao, president of the Japan Anti-Tuberculosis Association, said that over the same period TB and Aids together would kill more people in Asia than the numbers equal to the combined populations of

the cities of Singapore, Beijing, Yokohama and Tokyo. Dr Kochi said that about a third of the world's population carried the TB bacilli, although most never became ill. However, an HIV-positive person was 30 times more likely to develop TB than a non-infected individual, and was then capable of passing TB to family and friends who were not HIV-positive.

"This raises the frightening prospect that the general population now no longer has nothing to fear from close proximity to HIV-positive people. They are at risk [of contracting TB] simply by breathing the same air as [HIV-positive] people with TB," Dr Shimao warned.

The WHO estimates that in some parts of Asia, such as Thailand, India and Nepal, 70 per cent of Aids patients develop TB.

The median life-expectancy of an HIV-positive TB patient is six months. TB already kills nearly 2m every year in Asia. The WHO estimates that an additional package of between \$1.5bn and \$2.9bn would be required each year to set up and maintain a basic programme for HIV prevention.

Funding for the WHO's global programme on Aids has fallen from a peak of \$80m a year to only \$70m in 1994.

Arafat and Rabin agree to step up peace moves

By Julian Ozanne in Jerusalem

Israel and the Palestine Liberation Organisation yesterday agreed on a series of high-level meetings to speed up peace negotiations after a tough and tense summit at the Erez crossing point into Gaza.

The meetings will address the issue of Palestinian national elections and the extension of Palestinian self-rule from Gaza-Jericho to the rest of the West Bank. The summit between Israeli prime minister Yitzhak Rabin and PLO chairman Yasser Arafat followed recent jousting in which each side accused the other of failing to live up to the pledges of their peace accords.

The PLO said Israel had reneged on promises to release Palestinian prisoners and is delaying the extension of self-rule from Gaza-Jericho across the rest of the Israeli-occupied West Bank. Mr Arafat was furious when Israel signed an interim peace deal with Jordan and recognised King Hussein's special role as guardian of Islamic sites in future talks over Jerusalem.

The PLO claims occupied Arab East Jerusalem as its political capital. Israel in turn accused the PLO of not containing violence

against Israeli soldiers who remain in Gaza.

Israeli officials said Mr Warren Christopher, US secretary of state, who met Mr Rabin and Mr Arafat during his regional shuttle earlier this week, had been sympathetic to Palestinian frustrations and had encouraged Israel to revive the momentum of peace talks with the PLO.

The talks between Israel and the PLO have been in marked contrast to the smooth and speedy Israeli-Jordanian peace talks. Jordan and Israel continued to make progress in talks yesterday. Israeli radio said the two sides agreed to joint promotion of regional tourism and would produce a joint tourist brochure within 10 days. They also agreed to begin connecting their electricity grids next week.

After the summit Mr Rabin said he had expressed concern about Palestinian violence against Israelis and stressed Israel's abiding focus on security. Mr Rabin strongly criticised remarks by Mr Farouk Kaddoumi, PLO foreign minister, who called on Monday for the

Continued on Page 12
Senate votes cash to curb Jordan debt, Page 4



Yitzhak Rabin and Yasser Arafat (right) seal their first summit in Gaza. The two leaders agreed further talks on Palestinian self-rule. Picture: Reuters

Fed chief stresses monetary programme cannot be left on 'automatic pilot'

Greenspan warns banks on policy

By George Graham in Washington

Mr Alan Greenspan, chairman of the US Federal Reserve, warned yesterday that central banks could not rely on any single rule or indicator in setting monetary policy.

"What has become increasingly clear is that no simple guide would enable us to put monetary policy on automatic pilot," Mr Greenspan said in a wide-ranging discussion of the difficulties of economic forecasting before the House of Representatives govern-

ment operations committee. When asked whether he put more weight on financial indicators or on statistics in gauging the real economy, Mr Greenspan answered: "All of the above." The Fed chairman's testimony was closely watched by financial analysts and bond market traders, because it fell in the middle of the Treasury's quarterly refunding operations and less than a week before a meeting of the Federal Open Market Committee, the Fed body which sets monetary policy, which is widely expected to raise short-term

interest rates. But Mr Greenspan's discussion of the shortcomings of the consumer price index and the difficulties of conceptualising output proved too arid for most in the market. The Fed's approach to monetary policy might be "closer to monetarism", Mr Greenspan said, if its statute set it a single goal, such as price stability. Instead, the Fed's founding statute lays out multiple goals, including high employment and a stable financial system.

Mr Greenspan said it was regrettable that M2, one of the

monetary aggregates the Fed had traditionally used to measure the money supply, had "veered off" in recent years and was no longer a very useful indicator. He hoped that the structural changes in the economy which have caused M2 to swing wildly would end at some point and allow M2 to re-establish itself as a predictor of economic activity. Brownie Maddox in New York adds: Senior US regulators are considering new requirements on banks to disclose regularly their

Continued on Page 12

Andalucia deals blow to Gonzalez

By David White in Madrid

The Spanish Socialist party's first ever parliamentary defeat in the southern region of Andalucia threatens to complicate its efforts to maintain the delicate political alliance which keeps it in power at the national level.

The Andalucian government headed by Mr Manuel Chavez has this week lost to the combined opposition forces in a series of motions on regional finances. Most seriously, the parliament has demanded that Mr Chavez withdraw his support from a budgetary system agreed last year, under which regional governments may control 15 per cent of the tax revenue raised in their territories.

The agreement is a cornerstone of the pact between Mr Felipe Gonzalez's Socialist party in Madrid and the Catalan nationalists on whom they rely to achieve a working majority in the national parliament. The opposition parties in Andalucia - conservatives, communists and regionalists - say the budgetary pact favours Catalonia as a rich region, at the expense of the principle of national solidarity.

Socialist politicians, however, see the parliamentary vote as a

Dresdner advances 11% to DM1.04bn

By Christopher Parkes in Frankfurt

Operating profits at Dresdner, Germany's second-biggest bank group, rose 11 per cent in the first half to DM1.04bn (\$660m) in spite of a 2 per cent decline at the parent, Dresdner Bank AG.

Mr Jürgen Sarrazin, chairman, yesterday forecast an above-average rise in earnings for the full year - at least 10 per cent more than in 1993 which was the last "normal" period because record profits in 1993 included extraordinary items of DM240m. As with the other leading banks which have reported in the past two weeks, Dresdner's own-account trading suffered badly from market turbulence in the period.

Income from financial transactions slumped 90 per cent to DM23m, mainly because of heavy writedowns on its bond holdings, according to an interim report.

However, lending and financial services proved especially strong, helped by persisting demand for mortgages. Net interest income rose 14 per cent to DM3.4bn and commission earnings were up 17 per cent to DM1.68bn.

Group interest earnings were bolstered by results from derivatives operations, especially those of the bank's French BIF subsidiary.

In line with the trend at other

German financial institutions, Dresdner reduced its provisions for bad and doubtful debts. Group-wide the total set aside fell just over 1 per cent to DM747.5m. Provisions at the German parent were down 11.5 per cent to DM461m, reflecting rising domestic optimism over industry's recovery prospects.

However, Mr Sarrazin stressed, no one should conclude that the risk situation had been defused. As usual, the consequences of the recession would become apparent in the banking sector only after a delay, he added.

Corporate and private demand for credit, particularly long-term loans, improved slightly in the review period, the report said. This tendency is consistent with industry's apparent reluctance to invest in the early part of the year.

But since most economic indicators are pointing steeply upwards and domestic orders for capital goods have increased lately, German banks seem likely to benefit from rising demand for loans as the year progresses.

According to Dresdner's own calculations, the west German economy grew a good 3 per cent in the first half, while the east recorded a 10 per cent surge. For the year as a whole, it said it expected real pan-German growth of 2.5 per cent growth.

\$25,000,000
MANAGEMENT BUY-OUT
OF
THE F&H GROUP
A leading provider of financial services in the UK and Ireland. The company is seeking a strategic investor to acquire the business.

\$13,000,000
MANAGEMENT BUY-OUT
OF
The Publishing Services Division
The Publishing Services Division of the National Newsprint Corporation is seeking a strategic investor to acquire the business.

\$11,900,000
MANAGEMENT BUY-OUT
OF
REX
A leading provider of financial services in the UK and Ireland. The company is seeking a strategic investor to acquire the business.

\$61,000,000
MANAGEMENT BUY-OUT
OF
CHRYSLER LAND AND SERVICES
A leading provider of financial services in the UK and Ireland. The company is seeking a strategic investor to acquire the business.

Four reasons why MPE continues to be a major player in the private equity market

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Irish braced for broadsheet broadside

The Irish newspaper industry is once again looking apprehensively across the Irish Sea at the broadsheet price war currently taking place in the UK. It is fearful that the British tabloid invasion, which began in the 1980s and which has grabbed a 50 per cent share of the Irish tabloid market, is now about to be repeated by an invasion of upmarket UK daily and Sunday papers.

A small market by UK standards (Ireland's population is 3.5m), there are nonetheless almost 6m papers sold every week in the Irish Republic, with around 1.3m selling on Sunday alone. The UK papers currently have an overall market share of around 20 per cent.

According to one Irish newspaper editor, "there are enormous economies of scale in the UK industry. They can keep the presses rolling an extra half an hour and dump the extra copies in the Irish market at virtually no extra cost. The effect can be potentially devastating".

However, Mr Liam Igoe, a newspaper industry analyst with Goodbody

Fears are growing of an invasion by quality UK newspapers, writes Tim Coone in Dublin

stockbrokers in Dublin, believes the main threat is to Ireland's quality Sunday papers rather than the broadsheet dailies, the sector in which the UK price war is currently taking place. "The quality dailies have a strong Irish editorial content, and it will be difficult to compete with these on price alone," he said.

Mr Peter Murtagh, new editor of the Sunday Tribune, and formerly deputy foreign editor of the Guardian in the UK, believes that the strong Irish focus of the quality dailies and Sunday papers will be the key factor in fighting off the competition.

"Nothing will change the fact that the imports are British newspapers editorially controlled from London. This is a different country with a different perspective and a different agenda. Irish people want to read an

Irish newspaper which reflects their perspective on events. At the same time, we have to be better at what we are doing and make editorial and presentation more attractive," he says.

Neither the Times, Daily Telegraph nor the UK Independent have gained significantly in market share since the outbreak of the broadsheet price war in the UK. Their combined circulation is still well under 10,000, compared with 90,000 for the Irish Times and 143,000 for the Irish Independent. A spokesman for Independent Newspapers, which publishes the latter, said: "We can't be complacent, but we are not too fearful of the price war spilling over into the Irish market."

Even among Ireland's tabloid papers, the Star (jointly owned by Independent Newspapers and the

Express Group) has managed to increase its circulation from 85,000 to 89,000 over the past two years, maintaining its share against the 5m and the Mirror which sell a combined 110,000 in Ireland, and despite being 30 per cent more expensive. Around 80 per cent of the Star's content has an Irish focus.

Advertisers have also remained largely loyal to the Irish titles. Mr Steve Shanahan, media director of Q&P, a large Dublin advertising agency, said: "There is little evidence of a switch by Irish advertisers to the UK imports." Despite higher advertising costs in the Irish market, it is still more cost effective to reach readers through Irish titles than through the UK imports.

That loyalty could shift, however, if titles such as the Sunday Times,

thought to be selling more than 50,000 now, continue to make inroads into the circulation of the Irish 5m dailies. Most at threat are the Sunday Tribune (90,000) and the Sunday Business Post (80,000). Ms Barbara Nugent, Sunday Business Post editor who also sits on the board of the National Newspapers of Ireland (NNI), the industry's umbrella body, said: "It is a worry. We are talking about people with much deeper pockets than ourselves and it is vital for our democracy that the Irish newspaper industry survives."

Under pressure from the NNI, the government recently established a working group to investigate the competitiveness of the Irish newspaper industry, and to suggest legislation to protect it from what many Irish editors believe are "predatory pricing" tactics from the UK. Whether that could square with European Union legislation remains to be seen, but according to Ms Nugent, "we are in a unique situation in Europe. No other country faces the threat we do".

John Ridding sees battle lines forming in a high-profile privatisation struggle

Renault sale sparks mixed union feelings

Mr Robert Hue, general secretary of the French Communist party, yesterday deployed all the symbolism he could muster in his attempt to put the brakes on the privatisation of Renault, star of the country's public sector and erstwhile stronghold of its workers' movement.

Speaking at the now-dismal Boulogne-Billancourt plant in western Paris, near where the first Renault car was built at the end of last century, he condemned the proposal to sell the motor group.

"At the time when France is celebrating the 50th anniversary of its liberation, the government is undoing the work of De Gaulle," he said, referring to the nationalisation of the car company after the second world war. "We declare our total and resolute opposition to this project and will use all our force to stop it."

He warned of job losses and promised a campaign against privatisation after the holidays. Despite the symbolism, however, it is less clear how much substance lies behind the threat from the Communist party and some of France's trade unions. The influence of both has waned and, for most observers, the proposed privatisation is more likely to stand as a landmark in the government's withdrawal from a dirigiste economic tradition than a victory for union opponents.

"I don't think the unions will prevent privatisation," says Mr Eric Michels, motor industry analyst at Kleinwort Benson in Paris. "Renault is already managed like a private sector company." However, he believes the matter will need delicate handling.

That message is not lost on Mr Edouard Balladur, the prime minister. Displaying customary caution he has left his options wide open. Wary of the impact of an industrial dispute before next year's presidential election, but tempted by the prospect of a flagship privatisation and the 22.4bn (€2.4bn) or so it could bring to a strained public purse, his centre-right government has moved gingerly to prepare for what it calls "an opening of the capital" of the group.

Another sale, that of the insurance company Assurances Générales de France, has been lined up and is ready to be launched should the government prefer to privatise Renault next year. "No decision has been taken. We are following our strategy of having two irons in the fire," says an economics ministry official.

Which of the two companies will be offered first will be determined partly by the success of the government and Renault in ensuring employee support for the sale.

While the Communist-led Confédération Générale du Travail says it is "categorically opposed to abandoning a national industrial asset", other unions at Renault have given a nuanced response. The more moderate Confédération Française Démocratique du Travail, which has combined with other unions to wrest control of Renault's central union committee from the CGT, says it is "not systematically opposed to a partial privatisation".

Force Ouvrière says it wants more details about the impact of privatisation and guarantees that workers' rights at the plant will not be affected by the sale.



Then... Billancourt workers (above) return to work after a strike in 1985. Renault's plant became known as the "workers' fortress" because of the power of its unionised employees. Now... the factory's Seine Island site is quiet after production ceased in 1992.



affected by the sale. The possibility for disruption remains. While the CGT has seen its influence eroded and union membership generally is only about 10 per cent, it remains relatively strong in certain areas of the company. "They are present on the production lines and in the factories," says one industry observer. "So they can cause trouble if they want."

To prevent broader opposition, the government is likely to provide attractive terms to employees to back a privatisation. "The government may

Both sides in Bosnia threatened with UN air strikes

By Our Foreign Staff

The United Nations threatened yesterday to call in air strikes on both Serb and Bosnian positions for exchanging artillery fire within the weapons exclusion zone around Sarajevo, the Bosnian capital.

Lieutenant General Sir Michael Rose, UN commander in Bosnia, accused both sides of "serious breaches" and estimated that 400 artillery shells and mortar rounds had landed within and just outside the exclusion zone which surrounds the city.

UN officials say that Moslem forces fired into the 12-mile-wide zone from the north, while Serb gunners return fire from within the zone, aiming at Bosnian-held Visoko and other targets.

This is the first time that the Bosnian government has been warned since the zone was first established last spring and is a reminder that both sides are expected to honour it.

However, Bosnian forces have become more assertive since Belgrade cut ties with the Bosnian Serbs last week following the latter's refusal to accept a western-brokered peace plan.

The Bosnian Serbs have faced increasing military pressure from Moslems, who appear to be gaining ground.

The battle focused on the main highway linking Sarajevo, which is again under siege, and the central town of Olivo. For Sarajevo, the road is an important supply link especially during the hard - and approaching - Balkan winter.

Confirming an improvement in morale and organisation, the Bosnian army yesterday cornered the breakaway Moslem enclave of Bihac. Troops advanced further into the north-western zone as several thousand refugees continued to flee into Croatia.

Mr Filaret Abdic, Bihac's leader, rejected Bosnian amnesty offers. His chief military commander was killed by a tank shell yesterday as Bosnian troops built on gains made on Tuesday, when it captured two towns on the Croatian border.

Mr Abdic, a former Bosnian president, broke with Mr Alija Izetbegovic, the current president, last year by urging peace with Serbs and Croats. Their split exposed the deep fissures within the Bosnian Moslem community.

The Bosnian Serb media also reported an offensive on Brcko in northern Bosnia at a narrow point of an east-west supply corridor controlled by the Serbs.

A frequently violated cease-fire expired yesterday and the UN said it would not attempt to negotiate a new one.

Sniper fire and shelling on Tuesday killed three civilians in Sarajevo but the UN has resumed the halted food airlift into the Bosnian capital.

Snuffing out a separatist movement will only strengthen the Bosnian hand. The army apparently cornered Mr Abdic, the Bosnian president's main rival in Velika Kladusa and met little resistance.

The refugee flight has raised fears that Serbs in the potentially volatile Serb-held Krajina region of Croatia, who had supported Mr Abdic after his break with Sarajevo, could step in to oppose the Bosnian army.

Mr Abdic vowed to fight on in Bihac. "I will stay with my people to fight for autonomy," he said. "We cannot be defeated. We are unbeatable."

EUROPEAN NEWS DIGEST

Russian GNP 'to fall by 10%'

A decline in industrial production of between 35 and 38 per cent in 1994 was predicted in a report issued this week by the Russian Central Bank. However, because industry accounts for a decreasing portion of the Russian economy, the bank predicted that GNP will decline by only 10 per cent. In the report, which has become the central bank's annual public declaration of its goals, bank officials said that their target is to bring inflation down to 8 per cent a month by the end of the year.

Earlier this year the Russian Central Bank, whose chairman was once described as "the worst central banker in the world" because of his enthusiastic extension of soft credits to Russian industry and agriculture, considerably tightened its monetary policy. This change in policy has had moderate success in retreating runaway inflation, but the Russian economy now faces a new inflationary threat. Unable to easily obtain credits from the government, Russian enterprises have extended loans to one another, creating a growing mountain of debt which threatens to paralyse the country's financial system.

In this week's report the central bank suggests that commercial banks be asked to participate in the increasingly urgent efforts of the Russian government to find a solution to the issue of inter-enterprise debt. *Christina Freeland, Moscow*

France holds six more Islamists

Six more suspected Islamist militants yesterday were detained by French police as part of the nationwide clampdown against suspected terrorists. The suspects were detained in the morning in Paris, Lille, Lyon and Marseilles. Yesterday's detentions follow a series of swoops and spot-checks on vehicles and individuals by French police since last week's terrorist attack by militant Moslem fundamentalists on a French embassy housing compound in Algiers. The number of people held for questioning in France during the course of the current clampdown now totals over 110.

The Algerian authorities yesterday claimed to have identified the ringleader of last week's terrorist attack as Mr Djamel Zitouni, 26. The Algerians claimed in an official statement that Mr Zitouni, said to be a member of the banned Islamic Salvation Front, was also responsible for the recent murders of two French nationals and two nationals from the former Yugoslavia. The statement did not say whether he had yet been arrested. *Alice Rausethorn, Paris*

Kok cabinet to be named soon

The caretaker Dutch finance minister, Mr Wim Kok, was yesterday putting the finishing touches to a three-party government coalition agreement that will make him the next prime minister, more than 100 days after the country's general elections in early May. The three parties that are aiming to govern - Mr Kok's Labour party, the right-wing Liberals and the left-of-centre D66 - will be asked to approve the plan over the next few days, and ministers are expected to be appointed next week.

The proposed left-right coalition, a new departure in Dutch politics, will relegate the Christian Democrats of prime minister Ruud Lubbers to the opposition benches for the first time in modern Dutch politics. Mr Kok's plan calls for F18bn (€5.9bn) in spending cuts over four years, with around one-third of the total involving cuts in expenditure on social security. Another controversial element is a proposed shake-up of university education. Students would continue to receive funding for education up to their bachelor's degree, but they would have to take out loans to finance master's and doctoral degrees. *Ronald van de Krol, Amsterdam*

CDU/FDP coalition 'possible'

For the first time since the current election campaign kicked off, an Allensbach Institute poll shows that Mr Helmut Kohl's Christian Democratic Union (CDU) could form a majority government with its Free Democratic Party (FDP) allies. Combined, the two parties would poll 50.2 per cent of the vote if the October election were held next Sunday, Allensbach reported. The breakthrough for the governing coalition has come from the rising popularity of the CDU, but more importantly from a turnaround in the fortunes of the Free Democrats who have seen their support grow since June.

The latest poll, conducted in August, indicates that the CDU would receive 40.9 per cent of the vote while the FDP would receive 9.3 per cent of the vote. The gains were posted at the expense of the opposition Social Democratic Party and the left-wing Greens/Bündnis 90 party. The poll indicates that the SPD will receive only 32.7 per cent of the vote while the Greens would get 10.1 per cent. The former communists, the PDS, would poll 3.7 per cent of the vote. *Agencies, Bonn*

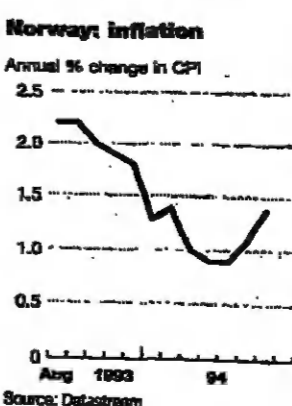
Russia, Germany in gas talks

Russian and German gas industry leaders met in the Black Sea resort of Sochi yesterday to discuss marketing strategies and future co-operation, company sources said. The talks were attended by the heads of the German gas companies, Ruhrgas and BASF's BASF Wintershall Group, and Mr Rem Vyakhirev, chairman of Russia's Gazprom monopoly. The company sources believed this was the first time the German groups, which are fierce competitors at home, had held joint talks with Gazprom.

Wintershall, a relative newcomer to the German gas business, says it has taken an eight per cent share of the domestic market, traditionally dominated by Ruhrgas. Both companies are supplied by Gazprom. The Russian company says it would like its big German clients to make peace. "I not only want this very much, I'll fight for it," Mr Vyakhirev said in a recent interview. *Reuters, Bonn*

ECONOMIC WATCH

Norway's inflation put at 1.4%



Norway's Consumer Price Index (CPI) rose 1.2 per cent in July from June, said Statistisk Sentralbyrå, the Norwegian central statistics bureau yesterday. This brings the July year-on-year inflation rate to 1.4 per cent. According to the bureau, the rise in food prices recorded in the last couple of months slowed, with a yearly rise of 1.3 per cent in July, compared with an annual rate of 1.8 per cent in June. Meanwhile, oil prices and tobacco goods showed noteworthy price rises in July. The bureau said tobacco prices rose because of increased taxation while oil prices rose on the back of rises in the price of crude oil. *AP-DJ, Oslo*

Commercial bankruptcies in Switzerland rose 6.2 per cent to 50 in July from 47 in June, the highest number of monthly bankruptcies since 1974 when Schweizerischer Verband Creditreform, an association of Swiss banks, began collecting data. Creditreform, which gives banks information on borrowers' creditworthiness, also said 3,326 commercial bankruptcy proceedings had been registered in the first seven months of the year, a decline of 3.3 per cent from the same period last year. French household confidence about the outlook for the economy continued to improve, the national statistics institute said. "Continuing the trend seen since the beginning of the year, the (seasonally-adjusted) opinion of households on the general economic situation and on their personal situation improved in July." However, its July monthly survey showed expectations about future living standards remained unchanged and that more people than in June expected unemployment to rise.

Moldova deal hit by Russian spoilers

Christina Freeland on the ethnic factor in Moscow's hopes of TransDnestr withdrawal

Two years after a bitter civil war which at one point threatened to draw in neighbouring Romania and Ukraine, the break-away TransDnestr region of Moldova is in danger again of becoming a lightning rod for the discontent of ethnic Russians transformed into an embittered minority by the collapse of the Soviet Union. But this time the governments of Moldova and Russia, which yesterday appeared to be on the verge of an agreement for the withdrawal of Russian troops, are seeking compromise.

Russian and Moldovan officials, meeting yesterday in the Moldovan capital of Kishinev in the tenth round of negotiations aimed at smoothing military, political and economic relations between the two states, were reportedly close to an agreement on the most contentious issue: the withdrawal of the Russian-controlled 14th army from the TransDnestr region.

The 14th army backed Russian-speaking separatist leaders when TransDnestr violently split off from Moldova two years ago. The Slavic Russians and Ukrainians, who form a majority in the TransDnestr but are outnumbered in Moldova as a whole, refused to be a part of the newly independent state which they feared would eventually re-unite with ethnically kindred Romania.

Russia, which has claimed the right to defend ethnic Russians beyond its own borders, at first offered political support to the TransDnestr separatists, but now appears to attach more value to restoring normal relations with Moldova.

However, ethnic Russian politicians and soldiers in the TransDnestr are refusing to go along with the Russian-Moldovan rapprochement.

Like the defiant Bosnian Serbs, who have refused to toe Belgrade's new political line, ethnic Russian politicians and soldiers in the separatist TransDnestr region, which is dominated by Slavic Russians and Ukrainians, are expressing a mounting sense of betrayal. Accustomed when the Soviet



Union was still intact, to acting as Moscow's favoured envoys in a non-Russian land they looked to Russia for support when they launched their separatist bid two years ago.

They have reacted to the growing rapprochement between Russia and Moldova over the past few months first with bewilderment and now with anger.

The danger that the Russian soldiers and politicians in the TransDnestr could become a rallying cause for the neo-imperialist political opposition to President Boris Yeltsin's government in Moscow is heightened by the wide-spread popularity of General Alexander Lebed, the commander of Russian forces in the TransDnestr.

The Russian ministry of defence announced plans last week to reassign the outspoken general, who became the darling of hardliners last month after he told Izvestia, a Moscow

daily, that Russia needed a military dictator "like Chile's Pinochet" and described Mr Yeltsin as "a minus".

The discontent of TransDnestr politicians manifested itself yesterday when embittered TransDnestr officials walked out of talks between Russian and Moldovan representatives.

A withdrawal of the 14th army will "automatically lead to an imbalance of forces in the region and to a new spiral of confrontation", General Stefan Kisak, the TransDnestr representative, warned.

Although often themselves at odds with the ramshackle TransDnestr government, the equally disenchanted officers of the 14th army are also emerging as potential spoilers of a Russian-Moldovan concordat.

Colonel Mikhail Bergman, a 14th army officer and ardent supporter of Gen Lebed, has been battering the Kremlin with an increasingly passionate series of accusations. He told Russian newspapers this week that the ministry of defence had been bribed by arms dealers to dismiss the fire-brand general and darkly warned that if Gen Lebed was ousted Russian President Boris Yeltsin's political future could be in jeopardy.

"Unless the president stands up for Lebed the way Lebed stood up for him, he won't remain in office for more than three months," Col Bergman told Reuters in a reference to Gen Lebed's critical support of Mr Yeltsin during the failed hardline coup in Moscow three

years ago.

Col Bergman, whose fiery statements could strike a chord in Russia's poorly paid, demoralised and increasingly disorganised army, said that Gen Lebed "will be president of Russia".

"I tell you that as a fact. In Russia, people who are disgraced have always come to power."

This week a meeting of 14th army officers responded to Moscow's attempt to disband their army and reassign Gen Lebed with the declaration that they would not leave the break-away region.

Some observers fear that the defiant stance of both TransDnestr officials and 14th army officers could - despite the best efforts of Moscow and Kishinev - lead to a fresh outbreak of fighting in the impoverished region. If Moscow's already tenuous control over the 14th army weakens further many of the 6,000 soldiers and officers and their massive arsenal could fall into the hands of the hellfire TransDnestr government.

The mounting tension in the area is an unwanted distraction for both Russia and Moldova, whose governments would prefer to focus on painful but increasingly successful economic reforms. However, the increasingly volatile statements of politicians and soldiers in the TransDnestr suggests that Moscow, which helped to ignite the separatist flames in Moldova two years ago, will not find them so easy to extinguish now.

مكتبة الامير

Japan interest rate reduction ruled out again

By Gerard Baker in Tokyo

Mr Yasuhiro Mieno, governor of the Bank of Japan, yesterday ruled out a cut in interest rates in the foreseeable future.

"Our judgement on the economic situation remains unchanged in the light of several positive indicators," Mr Mieno said in Tokyo.

He repeated his oft-stated belief that the economy is headed for recovery, though he expressed caution about the pace of the upturn.

The economy has already registered strong growth in the first part of the year; unusually warm summer weather has helped boost consumption in the past few months.

That seasonal benefit would be reflected in faster-than-expected growth for the current quarter, Mr Mieno added, but he warned that when this temporary stimulus had passed, the economy would still be beset by potential risks such as a high yen and weak capital spending.

The governor's remarks appeared to confirm what many analysts have suspected for some time: that the bank sees the present historically low official discount rate of 1.75 per cent as the bottom of the present cycle, and as the economy recovers, the next likely move in rates will be upward.

The bank has steadily resisted pressure at home and abroad to cut interest rates in the wake of the sharp apprecia-

tion of the yen in the past few months, arguing that monetary policy was consistent with the needs of the domestic economy.

Yesterday, Mr Mieno noted with evident satisfaction the recent slight decline in the Japanese currency's value.

But the bank's optimistic assessment of the country's prospects has not been shared by all analysts, including some of the government's own economists.

Last month's quarterly assessment by the bank stated confidently that the Japanese economy was "heading for recovery".

But it came just a week before the publication of a wide-ranging analysis by the government's Economic Planning Agency (EPA) that pointed only to "bright economic spots", and avoided stating unequivocally that recovery was under way.

The EPA's monthly report for August, to be published tomorrow, is expected to be equally cautious.

Some analysts have accused the bank of deliberately adopting a more optimistic tone about recovery prospects specifically to defend its opposition to a cut in borrowing costs.

Mr Mieno rejected such allegations, saying it was "putting the cart before the horse" to suggest that policy dictated economic analysis rather than vice-versa.

NZ may hang its government

Nikki Tait on a by-election that could rob National of its majority

Christchurch may be the largest city in New Zealand's South Island, but it is not usually the hub of the nation's political life. This week is different.

For the past few days, top politicians such as Mr Bill Birch, the finance minister, Ms Helen Clark, the embattled leader of the opposition Labour party, and Mr Jim Anderton, who broke away from Labour to form a coalition of five left-leaning minority parties called the Alliance, have been rubbing shoulders there. Jim Bolger, the prime minister, arrived last night.

The reason for this turnout is a by-election to be held on Saturday in the Selwyn constituency which threatens to end New Zealand's fragile political stability. According to the latest opinion polls, Mr Bolger's National party could lose the seat, and with it, the majority that has allowed National to govern for nine months.

Mr Bolger, anxious to deter voters from risking this option, has said that it would be "a disaster". A general election would be a possible outcome, but by no means guaranteed. What is certain, he claims, is that financial markets would take fright, causing the New Zealand dollar to fall, inflationary pressures to mount, and interest rates to rise.

By contrast, Mr Anderton - whose party looks most likely to snatch the seat from National - has talked soothingly of allowing the Bolger government to remain in office. The opposition parties would simply insist that it act in a consultative manner, passing only those measures on which consensus had been achieved. "They could govern," he says "but they just couldn't do what they want."

Last month, when Ms Ruth Richardson, the former finance minister who held Selwyn for National at the November general election, announced that she was retiring, few observers thought matters would pan out this way. Selwyn is a curious constituency, encircling Christchurch in horseshoe



Clark, left, accused of fudge; and Bolger who warns of disaster

fashion. Historically, the electorate has been dominated by Canterbury Plains farming communities, who tended to back National.

But boundary changes before the general election last November added parts of Christchurch's urban hinterland, such as Belfast and Kaiapoi. These are blue-collar communities which traditionally vote Labour. About half the current Selwyn electorate receives some form of welfare payment, according to census data, and the threatened closure of local hospitals under the government's health service reforms has been a dominant issue in the by-election campaign.

The boundary changes may partly explain why Ms Richardson saw her majority cut to just 888 votes last November from more than 5,400 in 1990. Nevertheless, when she stepped down last month, few commentators thought the Bolger government would be at risk. National, it was argued, would retain its "bedrock" rural support.

Non-National voters, angry at the government's squeeze on welfare payments and slow to feel the benefits of economic recovery, were expected to split their protest vote between Labour and the Alliance.

An AGB-McNair opinion poll, based on a 400-voter sample and taken on Monday night, showed National set to win 30 per cent of the vote, the Alliance 27 and Labour 9. Immediately after Ms Richardson resigned, the figures were 33 per cent, 15 per cent, and 23 per cent respectively.

Since then, the Trade Union Federation, the umbrella body for about a dozen unions, has thrown its weight behind the Alliance. This, the TUF stresses, is not a long-term defection from Labour, but the only way to stop National.

The Labour-to-Alliance shift is not hard to understand. Mr Anderton promulgates old-style "tax and spend" policies and has played his cards adroitly since the last election when his party won more than 18 per cent of the vote but only two of the 59 seats.

Labour, by contrast, has big internal problems. Ms Clark ousted Mr Mike Moore as leader soon after the election defeat. But her personal popularity rating is much lower than her predecessor's, and Labour's financially-conservative but socially-liberal policies are tough to sell. Ms Clark calls Labour's approach "responsible, but with a heart".

For many reform-weary New Zealanders who do not believe that National's quest for financial virtue is building a desirable society, this is fudge.

If the Alliance wins the seat on Saturday, National would be reduced to 49 seats, while Labour would have 45, the Alliance three and NZ First two. Mr Peter Tapsell, the speaker, is drawn from Labour ranks, and has made clear that his primary responsibility would be to maintain the status quo. In the event of a confidence vote, for example, he would support a Labour government. Mr Anderton has said the Alliance would do likewise.

Whether this would still allow Mr Bolger to plead "an inability to govern" and ask the governor-general to call a general election, is debatable. Asked yesterday about this, Mr Bolger said it was "not currently in my thinking". In any case, such a request might be rebuffed; the governor-general might very well ask Ms Clark, as leader of the biggest opposition party, to try to form a government.

Further clouding matters is New Zealand's decision to move to a proportional representation system. Under this, half the MPs will represent specific constituencies and the remainder will be drawn from party lists. The move was supported by a majority of voters last November, but the administrative changes will not be completed until next year.

An election under the new system would benefit minor parties such as the Alliance and, given the water-tight majorities at present, most pundits believe that the country would go to polls under the new system in 1995.

India's Schweik fights the rich and strong

By Shiraz Siddiqui in New Delhi

Govind Rao Khairnar, 52, son of a poor peasant, who rose to become deputy municipal commissioner in the Bombay Municipal Corporation which administers India's richest city, is a national hero.

In a country where corruption is rampant, almost accepted as part of the political system, this gaunt bureaucrat has started a crusade against one of India's most powerful politicians, Mr Sharad Pawar, chief minister of Maharashtra, where Bombay is located.

While he has produced no evidence, Mr Khairnar accuses Mr Pawar of corruption and of having links with underworld dons. Mr Pawar has big business interests in Maharashtra, and is one of the country's richest sugar farmers. He is also one of the country's strongest contenders for prime minister.

Mr Khairnar, who belongs to one of India's lowest castes, has become a veritable Good Soldier Schweik, a little man fighting officialdom and power, with all the odds against him. As the chief officer of the Bombay Municipal Corporation squad charged with demolishing illegal buildings in the city, Mr Khairnar's course inevitably collided with the underworld dons, film stars, and powerful businessmen-politicians. All conspired to make Bombay the rich, ruthless and powerful commercial capital that it is.

It is not the first time someone has sought to establish a nexus between the underworld, Bombay's tinsel world and politicians. But no bureaucrat has gone as far as Mr Khairnar, openly attacking someone as powerful as the chief minister. The common man identifies completely with him.

Mr Khairnar is not everybody's saint. Many powerful bureaucrats have felt that he has gone too far, especially when he has no proof to back his allegations. "My only job is to shout at the top of my voice, whatever I have experienced," he says, adding that it was "not his intention to collect proof against any individual".

Mr Khairnar may not have been able to substantiate his charges against Mr Pawar, but whether they are true or not, they have stuck. The chief minister was exercised enough to meet the prime minister to discuss the matter with him. Opposition parties and the anti-Pawar lobby in the Congress(I) party that have tried to use Mr Khairnar to flog dirt at their opponents have not succeeded. He has no political links, hardly any money, and is not afraid of his life in a danger.

After his suspension from service in July, Mr Khairnar spends much of his time addressing public gatherings, responding to invitations to travel to cities towns and villages all over India, addressing frenzied crowds of supporters.

At his meetings, men break the security cordon (the government has given him an armed escort and top-level security) just to be able to touch him. Women want him to bless their babies. India's most prominent social reformers have joined him in his crusade. His snowballing anti-corruption campaign is developing into a national phenomenon, even if nothing tangible has come of it yet.

US-N Korean talks to go on

The US and North Korea decided yesterday to continue talks on Pyongyang's nuclear programme at expert level. Frances Williams reports from Geneva. The full delegations meet again today or tomorrow. The experts are discussing what to do about the spent fuel rods decaying at the Yongbyon nuclear complex, and North Korea's offer to freeze its graphite-moderated reactor programme in return for light water reactor technology.

Diplomat tells of Saudi dissidents

By Jeremy Kahn in Washington

Mr Mohammed Khilawi, a senior Saudi diplomat trying to defect to the US, said this week he is part of an underground organisation of more than 75 dissidents working toward democracy in Saudi Arabia.

"We have one ministerial official and more than five ambassadors, all well-educated people working with us," the former second-in-command of Saudi Arabia's diplomatic mission to the United Nations said in a telephone interview.

Mr Khilawi said the underground group wanted to topple the Saudi regime, which he has accused of being financially corrupt and guilty of countless human rights violations.

"Human rights is a small goal compared with the democracy," he said. "We are seeking to have a democracy and a civilised society."

In addition to human rights abuses, Mr Khilawi, who fled for political asylum in June, alleges his country gives financial backing to international terrorists - including the radical Muslim group Hamas, which opposes Arab-Israeli peace - and ordered its diplomatic missions to spy on US Jewish groups.

He also said the Saudi government was attempting to acquire nuclear weapons. Mr Khilawi further alleges Saudi officials in the US secretly funneled government funds to their own pockets. He says he has 14,000 documents - some of them classified - in his possession that prove his claims, but few have been released to the media. In a meeting on Capitol Hill two weeks ago, Mr Khilawi briefed an unnamed member of the House of Representatives on the charges he has levelled against the Saudi government.

"Members of Congress have approached us to meet with them in an effort to expose the blatant human rights violations that are occurring in Saudi Arabia," Mr Michael Wildes, Mr Khilawi's attorney, said. "We have been asked to testify before Congress and Mr Khilawi has been asked formally by a member of the House of Representatives to come forward and collaborate all the information that has been provided thus far."

Mr Khilawi, who has been in hiding since June, is worried he will be refused asylum because of his close ties to the Saudis, Mr Wildes said.

Mr Wildes said he was contacted on July 22 by special agents from the Federal Bureau of Investigation who said there was an "imminent" threat to kidnap Mr Khilawi and take him back to Saudi Arabia reported by a "credible" FBI source. But the FBI has not offered Mr Khilawi protection, Mr Wildes said.

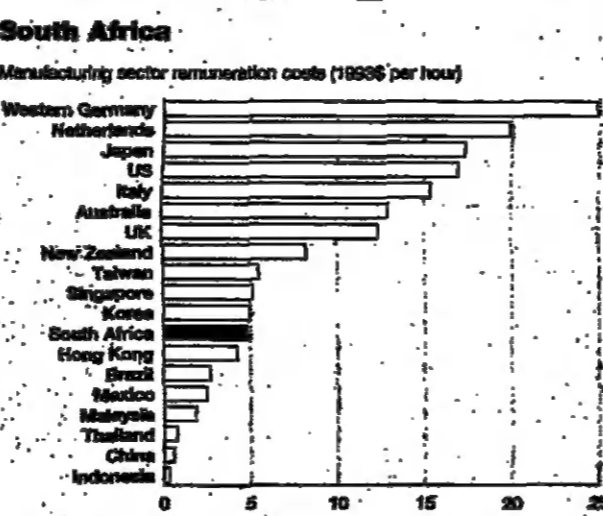
Fear of labour unrest and exchange controls mean foreigners are still nervous of taking the plunge

S Africa's image problem makes investors wary

By Patsy Walkmer in Johannesburg

When it comes to attracting new foreign investment, South Africa has an image problem. Potential investors like the rhetoric of the country's new government, which constantly promises fiscal discipline, but they are waiting to see intention translated into action. The retention of exchange controls and daily headlines proclaiming a crisis of industrial unrest have done much to perpetuate the image of South Africa as a high-risk destination for international capital.

This is not entirely fair. However, nervous whites may grumble about striking black checkout girls or car workers, the country is not wracked by industrial strife - or at least, not any more than normal for this time of year. July and August are traditionally the "strike season" in South Africa, the period every year when collective bargaining



Source: National Productivity Institute, South Africa

reaches its peak in the mining, engineering, motors and other industries.

This year's disputes appear to have captured more than their fair share of publicity for

two reasons: strikes have provided just about the only news available during the political lull which followed the April 27 elections; and whites have seized on the unrest as a focus

for dissatisfaction with the new government which began to surface once economic realities dispersed the happy glow of the peaceful transition.

But whatever the popular perception, there is no real evidence of a fundamental shift in strike patterns, or a serious upsurge in militant action.

According to Johannesburg labour consultants Andrew Levy and Associates, 233,066 man-days were lost to industrial action in July this year, higher than in the previous two years but less than a third of the figure for 1991 (762,656).

Some rise in strike action may have been inevitable. With the economy finally recovering after four years of recession and real wage cuts, there is substantial pent-up demand for wage rises.

Equality at the ballot box has also fuelled new demands for the narrowing of wage differentials between the (almost entirely white) management and the (almost entirely black)

shop-floor. According to the Cape Town-based Labour Research Service, which has close links to the unions, the average pay of the directors of South Africa's 70 largest public companies is 47 times that of the companies' labourers.

A crisis of union leadership may also be exacerbating unrest. The Congress of South African Trade Unions (Cosatu), the largest federation, has lost nearly 100 top unionists to the government and the private sector in recent months, and many who remain lack the authority to push for unpopular settlements. Still, most unionists and employers believe all the big disputes - in engineering, the car industry and mining - will be settled, and that no national general strike is likely. Cosatu had threatened a general strike in the industrial heartland around Johannesburg last Monday, but abandoned the threat after talks with President Nelson Mandela.

That is the good news. South Africa is not a labour battleground (though it disputes drag on into the autumn, this view would have to be revised). But the bad news for investors is that South African labour is expensive in relation to productivity. According to figures compiled by Pretoria's National Productivity Institute, hourly manufacturing wages in South Africa, at \$4.76 in 1993 dollars, rank just below wage rates in Singapore and South Korea (where productivity is far higher) and far above countries such as Malaysia (\$1.89), Thailand (\$0.71) and the Philippines (\$0.68).

With most manufacturing employers likely to agree to above-inflation wage demands this year, South Africa's competitive position could worsen unless steps are taken to improve productivity. In the meantime, the image problem will persist - and foreign investors so desperately needed to create jobs may remain wary.

Filipinos wrestle with message of birth control

The church is countering a government campaign with demonstrations, writes Victor Mallet

Dr Juan Flavio, the Philippines' health secretary, has long been worried by runaway population growth in the Philippines, where four-fifths of the inhabitants are Roman Catholics forbidden by doctrine to use artificial methods of birth control.

His campaign is to be challenged on Sunday with a big demonstration, called by Cardinal Jaime Sin, Archbishop of Manila, to express opposition to artificial contraception and abortion. The Cardinal's supporters say that 1m people are expected to take part and that the protesters will burn candles and literature promoting safe sex.

Dr Flavio has said people are welcome to listen to what the church has to say at the demonstration.

But he believes that unrestricted population growth damages the health and wealth of parents and their numerous children (an estimated 60,000 mothers and babies die each year from problems encountered during pregnancy and

childbirth) and depletes the country's already stretched natural resources.

The Philippines' population of 68m is growing by about 2.5 per cent a year, one of the highest rates in Asia. Families with eight or more children are not uncommon. Palawan, one of the few islands in the archipelago where the forest has not been destroyed, is being invaded by thousands of migrants from other islands searching for farmland.

"Our mountains are denuded, devastated," Dr Flavio said in an interview. "We have erosion. Our rivers are getting polluted and our seas are getting polluted and now our watersheds are being damaged."

Far from being downcast by this gloomy picture, the extrovert Dr Flavio has energetically used every level of the media to put his health messages across - whether they concern birth control, AIDS, immunisation or cancer. He plays the buffoon in lowbrow situation comedies on televi-

sion, is interviewed on serious radio talk shows, and has a column in one of Manila's leading newspapers.

He has often been compared with his friend, Mr Meechai Viravadiya, a former Thai government minister credited with helping to curb Thailand's population growth and the spread of AIDS by publicising contraceptive and making them socially acceptable.

His media antics and his family planning propaganda have sometimes enraged conservative Roman Catholics - including the powerful Opus Dei faction - and been criticised by his colleagues for threatening the dignity of the administration.

"The other government officials sort of frown on it," Dr Flavio said. "But my answer is 'The hell with it, it's effective.'"

Commenting on his television comedy appearances, he adds: "People find it funny and so human that now they identify with our health programmes."

Dr Flavio is popular with the local press and with Filipinos in general, partly because they love show business and partly because he has no background in the corrupt world of what Filipinos call "traditional politics".

For 31 years - until he was appointed by Mr Fidel Ramos two years ago - he worked as a doctor and promoted rural development programmes.

His work in the countryside, where two-thirds of the people live, convinced him that most Filipinos - including, discreetly, many Roman Catholic priests - supported artificial methods of birth control, a view endorsed by recent opinion surveys.

Dr Flavio also discovered how to teach family planning to farmers with what he calls an "agricultural analogy approach". The spacing of children is likened to the spacing of rice plants that allows each plant to prosper.

Acronyms and slogans are popular in the Philippines and Dr Flavio is adept at using them. The best-known is proba-

bly the ABC of safe sex. A is for Abstinence; if that does not work, then B is for Be faithful; if fidelity fails as well, then C is for Condom.

With little government money at his disposal, Dr Flavio has turned without hesitation to big businesses to finance some of his projects. Soap companies sponsor hygiene campaigns, and Dr Flavio himself has appeared in a fast food chain's television advertisement that managed to publicise immunisation and hamburgers at the same time.

But only the bravest of corporations would risk the wrath of the church in the Philippines by advertising contraceptives, and much of this family planning work is funded by foreign donors.

The church has been quiet on the topic of contraception in recent months, but Dr Flavio and his allies know that next month's United Nations population conference in Cairo and the Pope's visit to the Philippines next January will be used as a rallying point by anti-birth control activists.

During the last years of the previous administration of Corason Aquino, a devout Roman Catholic, family planning in the Philippines suffered a setback. Dr Flavio says that 70 per cent of married women of reproductive age either want no more children or want to wait a couple of years before the next child, but only 40 per cent have access to contraceptives.

Mr Ramos is from the Protestant minority, and Dr Flavio goes to church with his Protestant wife, but he says he does not want to make it a religious issue. He advertises natural as well as artificial methods of birth control and allows people make their own choice.

"I've won the media battle," he says. "I will go and work in the field now, and shy away from controversy in the upper crust of society because it's very divisive. At the top we're getting this flak, but below I'm not. Down there in the countryside I have no problem with priests; I have no problem with nuns."

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Bangladeshi author flees to Sweden in fear for her life

By Stefan Wagstyl in New Delhi

Ms Taslima Nasreen, the controversial Bangladeshi feminist writer subjected to death threats by Muslim fundamentalists, has fled Bangladesh out of fear for her life.

Ms Nasreen arrived in Sweden yesterday after leaving Bangladesh secretly on Tuesday. Her departure could harm Bangladesh's international

reputation by highlighting the fundamentalists' power to inflame popular passions and incite violence.

It could also embolden the government of Mrs Khaleda Zia, the prime minister, in a dangerous row with fundamentalist groups because government officials appear to have helped arrange Ms Nasreen's departure.

Ms Nasreen, 38, a divorced former doctor, urged women

to fight for economic, social and sexual equality with men. In one poem, she described men as cockroaches, wasps and poisonous ants.

While these views angered Bangladesh's Muslim clergy, they only became widely known last year after Ms Nasreen published *Lajja* (Shame), a novel about the plight of Bangladesh's Hindu minority who suffer discrimination from Muslims. The Bangla-

deshi government banned the book, but it became a best-seller in India.

The final straw for the fundamentalists was the publication of an interview in May in the Indian newspaper The Statesman in which Ms Nasreen was quoted as calling for revision of the Koran. Ms Nasreen said she was misquoted, but radical clerics called for her public execution.

On June 4 the authorities

ordered Ms Nasreen's arrest on blasphemy-related charges. Thousands of fundamentalists demonstrated almost daily demanding her punishment.

Secular student groups arranged counter-demonstrations. Ms Nasreen went into hiding and surrendered to the courts only last week. For her own protection, she was placed under heavy police guard at her home in Dhaka. Her departure leaves Ban-

gladesh in turmoil. Yesterday fundamentalist groups, led by Jamat-e-Islami, the leading Islamic political party, vowed to attack Ms Zia's government for letting Ms Nasreen leave. Jamat-e-Islami has had little support from voters, unlike Mrs Zia's Bangladesh National Party and the Awami League, the main opposition party. But this has not stopped Islamic clerics trying to extend their influence.



Taslima Nasreen: men are ants

NEWS: THE AMERICAS

Menem wants Iran envoy expelled

By John Barham
in Buenos Aires

Argentine President Carlos Menem said yesterday that Iran's ambassador to Buenos Aires should be expelled, after a judge had issued arrest warrants for four absent Iranian diplomats over anti-Jewish bomb attacks. However, the final decision lay with the foreign ministry, he said on radio.

Judge Juan José Galeano, on Tuesday night, accused seven Iranians - four former and three current diplomats at Iran's embassy in Buenos Aires - of having participated in the bombing last month of a Jewish community centre and a 1992 attack on the Israeli embassy in Argentina.

The judge also charged three Argentines who are claimed to have unwittingly reconditioned and sold the van used in the bombing. He accused them of having used stolen car parts.

One of the charged, Mr Ariel Mitcaner, is Jewish and a member of the bombed community centre. He claims police tortured him to extract information.

Judge Galeano sent a preliminary report to the Supreme Court on Tuesday asking that it demand the three current diplomats have their immunity from prosecution waived.

Iran's foreign ministry yesterday protested over the arrest warrants to Argentina's

chargé d'affaires in Tehran, saying the ministry "categorically rejects these baseless and discreditable allegations".

Argentina could take diplomatic action against Tehran if officials refused to co-operate with the investigation, said Mr Guido di Tella, foreign minister. The government would first request that the suspects "appear as witnesses, abandon their immunity, and only then, if they refuse, would we take measures". Possible action includes declaring the diplomats *persona non grata* and ordering a reduction in the number of the embassy staff.

Officials said cutting diplomatic relations with Iran would only be appropriate if investigators established Tehran's direct responsibility in the bombing.

However, a European diplomat said: "Argentina is right that there may well be Iranian involvement but whether they really have enough to prove a case in court is another question." He doubted whether Judge Galeano's findings, based largely on information from an Iranian dissident seeking asylum in Venezuela, was entirely reliable.

Whatever the outcome of the findings, he said Argentina must improve its security and intelligence services, and tighten surveillance of Iranian and Moslem organisations in Argentina.

Shake-up at the top for Democrats

By Jurek Martin
in Washington

The Clinton White House, increasingly anxious about the prospect of losses in November, in congressional mid-term elections, has moved to shake up the top of the national Democratic party.

Mr David Wilhelm will step down as party chairman in November and, meanwhile, he will take a back seat to Mr Tony Coelho, a former rising star in Congress from California, who will serve as a party special adviser.

The decision, finalised at a meeting of Mr Wilhelm and President Bill Clinton on Tuesday, is very much the work of Mr Leon Panetta, now beginning to exert effective control as new White House chief of staff.

In another move, Mr Panetta, also a former congressman from California, was thought likely to recommend that Judge Abner Mikva of the federal appeals court in Washington succeed Mr Lloyd Cutler as White House legal counsel, when the latter's temporary secondment ends, probably next month.

Judge Mikva was a veteran congressman from Illinois before being appointed to the bench by President Jimmy Carter in 1979 and, like Mr Coelho, served on Capitol Hill with Mr Panetta.

Both moves represent the further assertion of the professional Democratic politician over those, such as Mr Wilhelm, heavily involved in Mr Clinton's 1992 presidential campaign.

Mr Wilhelm, who is 37, has presided over losses by the Democrats in state-wide and other elections since Mr Clinton was elected. The prognosis for November is not good, with Republicans expecting to 25 seats or more in the House and hoping to win control of the Senate.

By 1999, Mr Coelho, now 51, was already a House Democratic whip and seemed on track to be Speaker of the House. But he was forced to resign his seat to staff off an ethics investigation of his personal financial dealings. This arose from reports that he had borrowed money from a now defunct Californian savings bank owned by a friend to purchase \$100,000 (\$25,000) in junk bonds from Mr Michael Milken of Drexel Burnham Lambert. This year, the Justice Department ended its investigation of the junk bond deal without further action.

Mr Coelho is now president of Wertheim, Schroder, the Wall Street investment bank.



A Zapatista guards speakers at the Chiapas convention. Picture: Reuters

Mexicans 'will protest' if election fraudulent

Mexico's rebel-organised "democratic convention" in the jungle ended with delegates promising massive civil disobedience and protests if there is fraud in the presidential election on August 21 but rejecting an armed uprising, writes Damian Fraser in Mexico City.

The convention, which ended on Tuesday, was hosted by the Zapatista Army of National Liberation in the Lacandon jungle of the southern state of Chiapas. Some 5,000 delegates from radical and leftist political organisations throughout Mexico participated.

Sub-Comandante Marcos, the rebel spokesman, told delegates that the Zapatistas would not be the first to take up arms. They launched a rebellion in Chiapas in January and

still control jungle areas.

The delegates left the jungle pledging to organise meetings and protests in favour of a free vote on August 21. They said they would participate in the elections, and vote against the ruling Institutional Revolutionary Party. Most are expected to vote for Cuauhtémoc Cárdenas, presidential candidate of the main leftist opposition. ● Mr Ernesto Zedillo of the ruling party holds a commanding lead over his nearest rival, according to a well-regarded national opinion poll. His support stood at 46 per cent, against 19 per cent for Mr Diego Fernández de Cevallos of the centre-right opposition, and 9 per cent for Mr Cárdenas, with 18 per cent undecided.

Sticks and carrots for Venezuela's banks

Selective assistance and pressure is on offer to the troubled financial institutions, writes Joseph Mann

Venezuela's government, confronting a third phase of the banking crisis which erupted in January, has refined its approach to dealing with ailing financial institutions.

Instead of providing massive aid to the latest batch of troubled banks, or simply closing them down as it did to others earlier this year, the administration of President Rafael Caldera decided this week to apply a selective programme of assistance and pressure.

The current crop of troubled banks is made up of eight institutions suffering from varying problems, including three of the country's most important commercial banks: Banco de Venezuela, the second-biggest bank, Banco Consolidado and Banco Progreso.

Total deposits at these three banks were \$1.7bn (£1.08bn) at the end of June, or about 20 per cent of all commercial bank deposits, excluding those banks in which the government has already intervened.

Other banks in the current crisis are smaller institutions such as Banco República, and Banco Italo-Venezolano, which a group of Venezuelan investors bought from the government in 1991.

Even the new slimmed-down strategy does not come cheap. The government took control of Banco de Venezuela on Monday, appointing its own president and providing about \$294m to recapitalise the bank. The bank, now 104 years old, was previously one of the country's most solid and prestigious financial institutions. In mid-1993 it was taken over by a group headed by Mr José Alvarez Stelling, who also controls Banco Consolidado.

The group included Mr Orlando Castro, a Cuban-born Venezuelan whose Latin American group of banking and insurance companies includes Banco Progreso. The government is providing a

total of \$423m for Banco Consolidado and Banco Progreso. In return for what the government hopes will be temporary support to these banks, the owners or major stockholders have pledged some of their personal assets as guarantees.

The government is demanding that banks receiving assistance take several measures, including the sale of domestic and foreign assets, mergers (in the case of Progreso and República), and cost reductions. The administration wants to avoid the impression, at all costs, that it is "giving away" money to wealthy bankers, an image retained by many Venezuelans from the bail-out programme earlier this year.

In the case of some of the smaller banks, the major shareholders have agreed to raise their capital bases on their own, and can thus avoid direct government control.

In contrast to the earlier two crises, the eight banks remain open and, so far, depositors have not panicked. The government believes it has learned from the previous phases of the banking crisis. The first critical moment came in January, when Banco Latino, then the country's second-largest bank, failed and was taken over by the government. The impact of Latino's closure drained confidence in most of the nation's banking system, caused runs on some institutions and convinced the government that it should provide billions of dollars in assistance to keep ailing banks afloat.

By mid-June, the administration realised that much of its assistance (which reached \$6bn to \$7bn) was going into a financial black hole. In some cases, major shareholders of banks receiving government aid reportedly used part of the money to pay off obligations held by themselves or associ-

ates. In others, government money was being recycled to other weak banks.

At the same time, some banks benefiting from the bail-out cash did not take steps to cut costs, re-capitalise or otherwise improve their financial situation.

On June 14, in the second phase of the crisis, the government intervened and shut eight financial institutions and their subsidiaries. By the end of the month, it assumed de facto control over the entire financial system by decree. The government and the banking sector are trying to convince the public that the latest strategy will work and that no other banks are in danger of failing. Not many people are willing publicly to oppose the administration on this delicate point.

Venezuela has 50 commercial banks, including nine that were taken over earlier this year, and the eight receiving government attention this week.

In the past, owners of many Venezuelan banks were able to operate in an environment where government supervision was ineffective, thus allowing abuses to accumulate.

Poor management, excessively rapid growth in an inflationary environment, huge unsupervised operations off-shore and policies such as failing to write off bad loans and making large loans to shareholders and associated companies rank among the key elements.

This was exacerbated by an economic recession that began last year and is deepening. This put heavy pressure on weak loan portfolios.

However, some businessmen and bankers believe that there are other weak financial institutions in the system and that the only way to solve the problem once and for all is to close the doors of troubled banks and liquidate them.

Senate votes cash to cut Jordan debt

By George Graham
in Washington

The US Congress yesterday tossed its contribution into the Middle East peace pot when the Senate voted to set aside money for reducing Jordan's debt.

In voting for final passage of a \$13.8bn (\$9bn) foreign aid bill, which now goes to President Bill Clinton for signature, the Senate agreed to set aside \$89m to reduce Jordan's debt burden.

Mr Clinton promised King Hussein of Jordan relief on \$700m of debt, and the Senate vote yesterday will allow him to achieve nearly a third of that.

Peace in the Middle East has always been a central theme in justifying the US aid budget to a reluctant Congress. The debt relief for Jordan, however, has

a direct link to the country's decision to end four decades of hostility, while the lion's share of the US aid budget still goes as military assistance to Egypt and Israel.

All told, Israel is allocated \$33bn and Egypt \$2.1bn, together nearly 40 per cent of the total US aid budget.

The foreign aid bill also includes \$60m for emergency assistance to Rwandan refugees. Another \$170m of Rwandan aid is to be included in a defence spending bill, and congressional leaders have promised to consider an additional \$100m requested by Mr Clinton later this year.

Another measure ends the formal ban on US aid to Vietnam. Although no money is set aside for Vietnam, the step could allow the US Export-Import Bank to provide credits for US businesses there.

Cubans face questioning in US over hijacking

Twenty-four Cubans accused of hijacking a Cuban government boat were brought to a Florida resort city by the US Coast Guard yesterday to face questioning about its voyage, AP reports from Key West.

The group, which included young men wearing shorts and at least two small children, walked off the Coast Guard cutter early in the afternoon. They had been detained at sea since they were picked up on Tuesday afternoon.

The Cuban government claimed a naval lieutenant was killed in the boat hijacking on Monday night. But a US

Coast Guard official said the refugees insisted no-one was killed and that the purported victim was among those who arrived in Key West.

Doubt was cast on the initial Cuban government claim that a death was caused by the boat hijacking when Mr Alfonso Fraga, head of the Cuban diplomatic mission in Washington, declined to repeat it yesterday at a news conference. Asked repeatedly about the incident, Mr Fraga said he had received no instructions about it from Havana.

The boat hijacking on Monday was the fourth in three weeks, Cuban

officials said.

The growing tide of Cubans fleeing the island continued, meanwhile, when a single-engine Cuban utility aircraft carrying 14 members of the same family landed safely in a thunderstorm at Marathon, about 75 miles north of Key West in the Florida Keys. A sheriff's spokeswoman said the pilot had worked for a Cuban crop-dusting company and stole the aircraft from his employers.

All of the Cubans were to be turned over to the US Immigration and Naturalisation Service.

US officials have not prosecuted any

Cubans on hijack-related charges since 1980, when three Cubans who seized a fishing vessel at knife-point were acquitted of kidnapping.

Cubans who have forcibly overpowered crews of boats or aircraft - usually government-owned - are routinely released in south Florida.

Some Cuban exile leaders are speculating that the US government may be cracking down on hijackers because of President Fidel Castro's recent threat to allow unlimited emigration from Cuba to the US, as he did for some 120,000 people in 1980.

NEWS: WORLD TRADE

Oman hands big gas field to joint venture

By David Lascelles,
Resources Editor

Oman yesterday signed an agreement dedicating output of its natural gas fields to Oman Liquefied Natural Gas (OLNG), the joint venture by the state-owned oil company and a consortium of foreign energy companies.

The government of the Gulf state said that the deal represented a milestone in the development of its proposed \$9bn liquefied natural gas plan, which is one of the biggest energy projects of the region.

Petroleum Development Oman (PDO), the state-owned oil company, said the agreement "demonstrates the resolve of the government of Oman and its private oil industry partners to progress the project with due speed, and

bring the LNG to market as quickly as possible."

The deal, covering 7,000bn cubic feet of proven and recoverable gas reserves, is with Oman Liquefied Natural Gas (OLNG), a company established this year by royal decree and 51 per cent owned by the Oman government. Other partners are Shell (34 per cent), Total (6 per cent), Mitsubishi and Mitsui (3 per cent each), Parfex (2 per cent) and Itochu (1 per cent).

The gas fields are owned by the government and operated by PDO.

The LNG plant is to start in the year 2000 with annual output of 6.2m tonnes. Preliminary work will start this year, and pre-qualified contractors will be bidding to build the downstream facilities in the middle of next year, so as to let

the contract be awarded in 1996. The plant is to be at Al Chahillah, near Sur.

The LNG project is the largest industrial enterprise embarked on by Oman. It envisages the production of 500m cu ft of gas a day in central Oman, and transportation over 300km to the liquefaction plant where it will be loaded on to specially built tankers for shipment to customers in Asia and southern Europe.

Much of the output is expected to go to Japan, the world's largest importer of LNG. Oman, whose oil reserves are dwindling, expects that, once the LNG plant is in full operation, the value of its gas business will equal that of oil and eventually overtake it.

A \$6m pipeline to transport gas from Oman to India is under consideration.

Sumitomo to invest in Kazakh oil

Sumitomo Corporation, the Japanese trading house, is to invest jointly with Preussag, the German mining company, in oil production in Kazakhstan, writes Gerard Baker in Tokyo. They will take a 50 per cent stake, the maximum allowable, in a company jointly established by Yuzhneftegaz, Kazakhstan's state-owned oil company, and an undisclosed Canadian company. Production of 25,000 barrels per day is expected from next spring.

There have been scuffles. A group of senior British industrialists is due to meet Sir Patrick Mayhew, Britain's Northern Ireland secretary, today to try to persuade the British government to withdraw its support for a £157m (\$243m) textile plant near Belfast which the industrialists say will lead to further job losses.

But by and large the sector's contraction has been accompanied by little politicking. Restructuring has brought a slacker, leaner industry which now faces the phasing out of protective quotas under the Multi-Fibre Arrangement with expectations of a gradual and partial decline, rather than annihilation.

A more severe future was possible. Even with the MFA in place, the industry has been confronted by its inability to compete on cost with producers in low-cost countries, particularly in Asia. Textile and clothing production has traditionally been labour intensive. European labour is expensive labour. And it is labour costs that have been the main cause of the European industry's loss of competitiveness, concludes a recent study for the European Commission.

Philips expands

Philips, the Netherlands-based electronics group, is to invest \$1.5bn (\$275m) in boosting production at its plant in the Dutch town of Nijmegen, writes Ronald van de Krol in Amsterdam. The additional capacity is expected to be ready by the end of 1996.

A very faint ripping sound

Jenny Luesby on restructuring in the European textiles industry

If the textile and clothing industry were not dominated by small companies, a restructuring which has seen it account for 30 per cent of manufacturing job losses in the European Union since 1988 might have caused more of a stir.

Instead, with relative quietness, productivity has risen by 25 per cent in the clothing industry and 17 per cent in textiles - against a manufacturing average of 10 per cent - production has been cut, and 600,000 jobs have been shed.

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As a result, clothing and textile imports into the EU have risen sharply. Excluding imports arising from subcontracting by European producers outside the EU, clothing imports into the EU rose by 80 per cent between 1988 and 1993.

Within textiles, it has been the earliest stages in the pro-

duction chain and the least technical areas of production that have been hardest hit. European consumption of very basic fabrics, especially synthetic and cotton fabrics, is now dominated by imports. For other fabrics, the loss of market share to imports is progressing up the textiles production chain, with fibre producers the first to suffer, followed by spinners and weavers.

The finishing and dyeing of fabrics remains largely unaffected by direct competition because of its greater technological complexity, but it is still feeding a contracting market thanks to the displacement

of clothing manufacturers through imports. Moreover, the entire industry has suffered the effects of the European recession. The EU is still the largest market in the world for clothing, and, with more than 50 per cent of textile output sold to clothing producers, the fortunes of textiles and clothing producers are inextricably linked.

Upwards of another 20 per cent of textile output goes to producers of home furnishings and carpets, and a further 30 per cent to industry, much of it to cars and construction.

However, although recovery will help the industry it will not reverse the steady decline in spending on clothing and footwear as a proportion of total consumption.

The industry's response has been two-fold. Some producers have secured themselves and their markets through targeting niche or high-quality markets unlikely to be satisfied through low-cost mass production.

More generally, producers have played to their strengths, in terms of proximity and versatility, by shifting towards just-in-time delivery, in short runs, of products made to customer's own specifications - a trend particularly noticeable in the UK.

Another approach, in which German producers have led the way, has been to move away from integrated production and, instead, subcontract from low-cost countries on the European rim, particularly eastern Europe, but also North Africa and Turkey.

The ending of the MFA, as agreed in the Uruguay Round of world trade talks, is scheduled to take place in four phases over 10 years, beginning on January 1 1995, when

16 per cent of quotas will be removed. Officials from both the European Commission and the General Agreement on Tariffs and Trade foresee little difficulty in identifying this first 16 per cent, although there may be some wrangling within the EU over whether any effective quotas should be offered up, by way of good faith.

Europe will be able to choose which quotas it removes at each stage. And when the phase-out bites harder, as further quotas are removed and existing ones raised at the beginning of 1998, 2002 and 2005, the industry will not be without some safeguards against real injury to markets.

Clothing and textiles are to be incorporated into the Gatt, which does allow quotas in cases of serious damage to industries.

But there can be no change to the scale and pace of the phase-out and the end of the arrangement will exacerbate the effects of global trends on the European industry. By type of product, industry experts Kurt Salmon Associates point to the bed linen and blankets sector as the next to be hit by heavy competition from imports, followed in the second half of the 1990s by the more technologically sophisticated curtain and table linen sectors.

And by country, it will be those producers, predominantly in southern Europe, who have so far escaped the need to restructure because of their lower costs, that will be hardest hit.

However, for Europe's textile negotiators, the lifting of the MFA is barely a hardship at all. They have the huge growth in exports from China to worry about - and that was never covered by the MFA.

TNT and Ansett agree to pay record fines for price-fixing

By Emilia Tagaza in Melbourne

Two of Australia's largest transport firms, TNT and its related company, Ansett Transport Industries, were yesterday ordered to pay record fines totalling Aus\$5m (US\$3.6m) for price-fixing and collusion in the air freight business.

The fines, Aus\$4.1m for TNT and \$900,000 for Ansett, were the highest so far for anti-competitive business practices in Australia. The previous highest penalty in a trade practices case was Aus\$250,000. The

highest possible penalty for a corporation under the Trade Practices Act is Aus\$10m.

The case was brought against the companies in 1992 by the Trade Practices Commission, the competition watchdog, alleging that the companies had agreed to charge uniform prices for air freight services and not to poach each other's customers.

The commission also alleged the companies deliberately tried to drive new customers back to their original service provider by putting up prices or deliberately providing a

poor service. A case was also brought against Mayne Nickless, another major transport group, as well as a number of other individuals.

TNT and Ansett withdrew their defences against the case two weeks ago, citing "purely commercial reasons" but they did not accept guilt or liability. They have also now agreed to pay the fines plus costs of more than Aus\$1m.

Mr Fred Miller, TNT chairman, said the company withdrew because of the horrendous legal costs, which would have left TNT paying Aus\$17m.

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Fishermen accuse Royal Navy in Biscay tuna row

By Deborah Hargreaves

Cornish fishermen clashed with the Ministry of Agriculture yesterday when they complained that the Royal Navy was harassing British trawlers fishing for tuna in the Bay of Biscay instead of protecting them from the Spanish.

The clash came as agriculture ministry officials said they were still considering whether to take legal action against the Charisma, a Cornish trawler, which was found to have exceeded European Union rules on the length of its drift net at the weekend.

Fisheries protection vessels from the Navy last week confiscated the Charisma's nets and issued a caution to another boat, the Alice Louise, alleged to have exceeded the legal length of 2.5km.

The Charisma's nets were found to have exceeded the limit by 160 metres. Fishermen's representatives

claimed this was within a 5 to 10 per cent allowance for stretching to occur at sea. However, a ministry official said yesterday this was a "tall story." He said legal action which could result in a fine is still under consideration.

The Alice Louise yesterday set sail for the Bay of Biscay again.

An official from the ministry of agriculture said the Alice Louise's nets had been measured at sea by inspectors from the European Com-

mission, but had appeared to be within the legal limit. When they were measured again by British inspectors they were found to be over the limit and the skipper was cautioned.

Yesterday the French Navy ordered a French vessel back to the port of Brest for allegedly using illegal nets. Spanish fishermen had complained to EU inspectors that three French boats were exceeding the net limits.

Last week angry Spanish fishermen slashed the nets of British vessels which they believed were fishing illegally.

Mr Paul Tyler, MP for Cornwall North said: "The suspicion among Cornish fishermen, and rightly so I believe, is the ministry of agriculture is not operating on our behalf, but appears to be acting as the watchdogs of the Spanish government. It really does seem as if the Navy are under instruction to watch

our fishing fleet like hawks and yet turn a blind eye to what the Spanish were up to last week," he told BBC Radio news.

But Lieutenant Commander Andrew Edney, speaking from HMS Anglesey, said the Fishery Protection Squadron's two main tasks were to protect British fishermen and to protect fish stocks through enforcement of international legislation.

"This is being done in exactly the same way as in UK waters," he said.

Growth reported in all regions

By Philip Coggan

Manufacturers in all regions of the UK are enjoying growth, according to a survey released yesterday by the Confederation of British Industry and Business Strategies.

For the first time since the survey began in July 1988, all 11 regions reported increases in business optimism, orders and output. The report is compiled from the CBI's national quarterly industrial trends survey, released last month.

Expectations for new orders and increased output over the next four months are highest in Wales and the region with the greatest level of business optimism is Northern Ireland.

Business Strategies said it was significant that manufacturing appeared to be healthy in the two key regions of the east and west Midlands.

The regions which showed the smallest improvements, according to the report, were the north west, the north, Scotland and the south west.

The improvement in business prospects has done little to boost the employment outlook, however.

Racy marque of distinction seeks mainstream market

Kevin Done looks at sports car maker Aston Martin's attempt to establish a new image

It may take a long time before it can rival Ferrari, but Aston Martin Lagonda is seeking to move into the fast lane of the world luxury sports car market.

"We are making the break from being a low volume cottage industry to becoming a mainstream specialist carmaker," says Mr Nick Fry, Aston Martin Lagonda managing director.

The transformation is being fuelled by finance and expertise from Ford, the world's second largest vehicle producer, which acquired an initial 75 per cent stake in 1987 and took over the outstanding minority shareholding earlier this year from the Llanos Greek shipping family.

Often loss-making and with a

chequered ownership history after the end of its golden age in 1972 with its sale by David Brown, Aston Martin is effectively being relaunched.

The introduction in the autumn of the DB7 sports car is set to increase production next year more than fivefold to around 800 from only 144 in 1993.

That is only the first stage in the planned comeback of one of the illustrious marques of the British motor industry. "It is critical to have more than one model line," says Mr Fry, "our volume was so small, we could never become a credible carmaker."

Production of the traditional,

handcrafted Vantage and Volante sports cars will continue in small numbers at Aston Martin's cramped Newport Pagnell headquarters, but the company's expansion is being carried out at a new plant at Blunham, near Banbury in Oxfordshire, which it has recently taken over from JaguarSport.

The Blunham plant will assemble the DB7 with output of 150 planned by the end of the year rising to nearly 700 in 1995.

But Aston Martin is then planning to follow the DB7 with a four-door, four-seat sports saloon which is pencilled into the development

programme for launch in 1998/99. Total output could then exceed 1,500 a year.

This car, which will be modelled on the Lagonda Vignale motor show last year, is not yet an approved programme, but the final go-ahead is expected from Ford next year.

"Within the company we have a clear consensus that we need a second model and that Vignale is the model," says Mr John Oldfield, who joined Aston Martin from Ford of Europe as executive chairman in February. "If we can put together the right programme, it could be in production in four years."

Aston Martin continued to stumble for the first couple of years under Ford ownership, but recently the US carmaker has taken a far more rigorous approach, as it began to inject serious sums of money. Aston Martin was refinanced last year with \$50m in new equity.

A large part of the current Aston Martin senior management has come directly from Ford, most recently Mr Oldfield, previously Ford's top engineer in Europe.

The board has been revitalised and now includes Mr Jackie Stewart, the former Formula 1 world champion who has worked on developing the ride and handling of the DB7,

and Mr Nick Scheele, chairman and chief executive of Jaguar, from which various parts are being drawn.

An important part of the expansion of Aston Martin will be the development of its worldwide dealer network which is planned to grow from 42 at the beginning of 1991 to more than 100 by the end of 1995.

The DB7 will not be launched in the US until the beginning of 1996, by which time it will be equipped with both driver and passenger side airbags, but the company is already putting a lot of effort into market research and the recruitment of new dealers. It

is seeking to increase the number of its dealers in North America from 12 at present to around 30.

Aston Martin is planning to sell around 35 per cent of the output of the DB7 in North America and is hoping that the new car will greatly reduce its dependence on the UK market. It is also seeking to establish much more of a presence in continental European and Asia/Pacific markets.

The biggest image boost may come at little cost, however. Aston Martin has an outline agreement - but no final contract yet - for the DB7 to be used in the next James Bond film, Goldeneye, starring Pierce Brosnan in the latest incarnation of special agent 007.

Britain in brief



Trial on new cancer drug 'Daca'

Medical charity Cancer Research Campaign has joined forces with Slough biotechnology company Xenova to develop a new cancer drug.

The charity's technology transfer arm, Cancer Research Campaign Technology, has sold the worldwide marketing rights to the drug, Daca, in return for a series of cash payments and royalties should the drug be marketed.

The cash payments are based on the progress of the drug through trials up to a maximum of £1.7m.

If clinical trials go according to plan, the drug could be approved at the end of the decade.

Stockbroker Lehman Brothers estimates that it may generate \$250m in sales eventually.

But Daca is still in the early stages of development from which, statistically, less than one quarter of drugs make it to the market.

which have not had a case of the disease, bovine spongiform encephalopathy, during the past six years. This will make it easier for them to trace the history of their animals and discover whether they are fit for export.

However, animals cleared for export are still expected to be in a minority because BSE has affected over half the dairy herds in the UK.

Milford Haven recovers output

The Milford Haven refinery damaged by fire last month will resume partial operation next month and full production in October.

Texaco said that refining would not begin until the flare system was fully operational. This would involve making new parts which would be ready by the end of this month. The cost of the repair is also being evaluated.

Clarke ready for rate move

Mr Kenneth Clarke, the chancellor of the exchequer, has agreed that it will be necessary to raise interest rates "promptly when signs of inflationary pressures emerge" minutes of his July 6 meeting with Mr Eddie George, the Bank of England governor show.

Both men agreed that the time for a base rate increase from 5.25 per cent had not been reached.

Although Mr Clarke agreed that "interest rates might have to be raised sooner or later", and appeared to be slightly more receptive to the idea of monetary tightening than in the past, his overall approach continued to be more relaxed than that of Mr George.

Broker wins dismissal case

A female City broker who claimed she was sacked after spurning the advances of a senior manager won £18,000 in damages in her case for sexual discrimination and unfair dismissal, an industrial tribunal ruled yesterday.

Miss Samantha Phillips, an aviation insurance broker for Willis Corroon, won £13,500 in damages for unfair dismissal and £4,500 in damages for injury to feelings after an industrial tribunal in Croydon, south London said the company "would not have acted so unfavourably in the case of a male."

The tribunal only awarded Miss Phillips 75 per cent of full damages for unfair dismissal because it said she "behaved naively, foolishly and irresponsibly."

Bias found against jobless

Employers are very reluctant to hire professional and managerial staff unless they have a job already, says a major industry survey published today.

Montrose Technical Recruitment, the construction industry's biggest recruitment agency, said that 93 per cent of employers "would rather appoint candidates who are currently employed elsewhere even though the recession has forced redundancy upon many through no fault of their own."

Hamburg ferry link restored

After a break of 40 years, a regular freight and passenger service between Hull on the east coast of England and Hamburg, Germany, has been revived.

The twice-weekly service by the motor vessel Hornlink (2,183 tonnes) will carry passengers, cars, containers and roll-on roll-off freight. The service saves travellers to Germany a 300 mile overland trip from Rotterdam, which has been the only sea route available from Hull.

The Hornlink is owned by the Horn-Line company of Hamburg and the UK agents are John Good & Sons (Shipping) Ltd. of Hull.

Shell and Esso get go-ahead

Shell and Esso have received the government go-ahead to develop the sub-sea Pelican oil and gas field in the northern section of the North Sea. The £360m project, due to come on stream in 1996, will produce an estimated 58m barrels of oil and 30bn cu ft of gas.

About £100m of the cost is to refurbish the Cormorant Alpha platform five miles to the north which will act as host to the underwater facility and enable overall costs to be kept down.

Farmers get mad cow advice

The Ministry of Agriculture last night announced measures to help farmers struggling to cope with new European Union restrictions on British carcass beef exports aimed at stopping the spread of "mad cow disease."

The ministry said it could give potential exporters the names and addresses of farms

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هكذا في الأصل

Motoko Rich examines the speedy arrival of Ben & Jerry's ice cream in Britain

Chunky Monkey invasion

Only four months after its launch in Selfridges, a top London store, Ben & Jerry's, the popular US ice cream, seems well on the way to becoming the "other" premium brand in the UK.

Since May, flavours such as Chunky Monkey, New York Super Fudge Chunk and Rainforest Crunch have leapt into more than 300 independent speciality food shops, convenience stores and newsagents within the greater London area and more than 60 J Sainsbury supermarkets around the country.

The company's socially-conscious, wacky image, combined with its recent decision to compromise its idealistic pay policy as it searches for a new chief executive, has propelled Ben & Jerry's into the limelight during one of the hottest UK summers on record.

But the company's quick success in penetrating the premium, or adult, ice cream market has come largely at the instigation of Britain's Lloseley Ice Cream, currently the second largest brand in the sector after Haggen-Dazs, though with a declining share.

Loseley is the sole importer and main distributor for Ben & Jerry's in the UK. Through its established relationships with specialist food shops in London and the south-east, plus department stores and supermarket chains, Loseley has been able to help Ben & Jerry's break into the £113m premium market.

The decision to act as distributor for a product which at first glance appears to be a direct competitor may seem foolhardy. But Tudor Dairies, a non-dairy ice cream manufacturer which acquired Loseley in January, believes that Ben & Jerry's complements, rather than competes with, the Loseley brand.

Where Loseley produces quintessentially English, fruit-based flavours, Ben & Jerry's concentrates on chunks, preferably chocolate. "As far as I am concerned, the only way I get into fruit is if you mix it with some chocolate," says Ben Cohen, co-founder and chairman.

Loseley's ready-made distribution network gave Ben & Jerry's a leg up on Haggen-Dazs, which built its retail relationships from scratch when it entered the UK in 1989. "In order to come in as Haggen-Dazs did five years ago would have cost a fortune and taken a considerable amount of time," says David Rapkins, managing director of Loseley Ice Cream. "We could offer immediate access."

For Loseley, selling Ben & Jerry's is the best way to become an important player in the premium ice cream market. "This is part of our strategy to become a specialist ice cream distributor as much as a manufacturer," says Rapkins, a member of the original management buy-out team which bought Tudor Dairies in 1990.

"Whilst there was a lot of potential for the Loseley brand, we thought we needed to compete directly with Haggen-Dazs by developing the American end of the market, and we knew Ben & Jerry's was its closest competitor in the US."

For Ben & Jerry's, "it is not possible for us, being based in the US, to physically get the ice cream direct to grocers, so we need to work through a distributor," says Cohen.

Selfridge's negotiated an exclusive launch deal for the month of April but Loseley took over as the roll-out continued through independent, convenience store chains and Sainsbury's, which is



Rainforest Crunch to go: Ben Cohen, left, and Jerry Greenfield. More than 300 London stores now stock their ice cream

currently the only supermarket chain to carry Ben & Jerry's. Loseley has contracted out the distribution of the ice cream to convenience stores such as Europa, Cullens and 7-Eleven to Regale Foods, a Kent-based food distribution company. But Loseley's six-person sales team has made all the deals with independently owned shops.

Haggen-Dazs leads the UK premium sector with more than 30 per cent of the market, with Loseley coming in second at around 9 per cent. Loseley believes that Ben & Jerry's will hit sales in excess of £3m and, having expanded to the Midlands in the next few months, command around 4 per cent of the UK market by the end of the year.

Nicola Chilton, marketing manager for the UK and Scandinavia at Haggen-Dazs, says it is much too soon to assess the Ben & Jerry's effect. "We are having one of our best summers yet," she says.

In the US, Ben & Jerry's "caring capitalist" image has helped increase sales.

The company donates 7.5 per cent of its pre-tax profits to non-profit organisations. It is already transferring that policy to the UK, where Sainsbury's yesterday launched a campaign to donate 10 per cent of the profits from sales of Ben & Jerry's during the next two weeks to the Children's Society.

"The charity element is what has got them a lot of coverage and we are happy to share Ben & Jerry's commitment," a Sainsbury's spokesman said.

"But I suspect it is not a real motive for buying ice cream. It is just ice cream without the guilty conscience."

on to the scene. The Grand Metropolitan-owned brand took the lead in the take-home market, as luxury products pushed aside economy tubs.

Now Haggen-Dazs faces increased competition, particularly from Ben & Jerry's, and the launch this year of Bamber Wall's.

Growth is set to continue, according to Euromonitor, predicting a rate of 10 per cent a year during the next five years.

Diane Summers

**Adult Ice Cream, Market Research GB, July issue. By subscription. Euromonitor, 67-68 Turnmill St, London EC1M 5QU.*

with its ice cream chocolate bars - a smart move which, as Euromonitor observes, sidestepped a great deal of brand building. Competitors soon copied the trick. Unilever's Wall's held leading position in 1993 in the impulse sector with a 45 per cent share.

Interest in these products crossed over into the take-home market, where a small premium sector, led by Loseley, was ripe for development. Haggen-Dazs, with its sensuous advertising and "dedicated to pleasure" slogan burst

products made up 7.5 per cent of retail sales; last year the proportion had grown to 13.3 per cent.

Two main and distinct markets operate in ice cream sales: take-home, which accounts for almost 53 per cent, and wrapped "impulse" buys which make up nearly 36 per cent. The balance is accounted for by "scoop" sales from ice cream vans and stands.

Both main markets have been revitalised by the adult products. Among wrapped impulse products, Mars was first in the field in 1989,

main source of growth for the ice cream industry in recent years, and looks set to remain so, particularly if the current rate of product innovation can be maintained.

Overall, consumers spent more than \$650m on ice cream in 1993 - a 5 per cent increase on the previous year, and a 20 per cent growth during five years, according to the market research group Euromonitor. Of that, the adult sector was worth \$113m in 1993, an 11.3 per cent increase on the previous year. In 1989, premium

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■ Peter Clarke, former chairman of Greenall's drinks and leisure division, at JARVIS PORTER.

■ Douglas Rogers has resigned from LINREAD.

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■ Sir Christopher Leaver, vice-chairman of Thames Water and a former Lord Mayor of London, at UNIONAMERICA HOLDINGS.

■ Fred Grant, former chairman and chief executive of Adwest, at J. SAVILLE GORDON GROUP. Sir Anthony Beaumont-Dark becomes deputy chairman.

■ Sir Kit McMahon (below), former deputy governor of the Bank of England, at F.I. GROUP.

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Bradt says a priority will be to try to increase the size of the total UK market for soft drinks. Coca-Cola, he says, needs to find "new ways to meet consumer needs in a market which still has a lower per capita consumption of soft drinks than countries such as Germany and the USA".

This is Bradt's first post in the UK, but before joining Disney he worked for companies such as Pollio Dairy Products, part of Kraft, Procter & Gamble, and Lever Brothers.

But Sheard's offence still remains a mystery. James says "it wasn't a fingers-in-the-gill kind of thing," and that no investors have lost money as a result. The "action" was a single event which was spotted by a colleague who noticed something wasn't quite right. When confronted, Sheard owned up immediately.

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Granting an end to food trade gap

Farmers and markets are drawing closer, writes Deborah Hargreaves

When the first lorry load of lettuce passed through the Channel Tunnel in early July, Michael Jack, Britain's horticulture minister, hailed a breakthrough for the UK's vegetable industry.

The lettuce and celery from G's Fresh Salads in Cambridgeshire were bound for a Belgian supermarket, Delhaize le Lion, as one of the company's and, indeed, the UK's first deliveries of fresh produce direct to a continental chain.

The export order grew out of an effort by John Major, the prime minister. A seminar at 10 Downing Street in January last year tried to bridge the UK's £5.6bn food and drink trade gap.

Grants from the Ministry of Agriculture, to help farmers' co-operatives and small food companies get closer to the market, followed.

G's Fresh Salads received a grant of £105,000 for three years. The grant helps pay for a full-time export manager. The company's sales overseas have grown from £2m last year to an expected £3m this year.

"It has enabled us to be much more highly organised and to get out and see our customers to find out what they want," says John Shepherd, managing director. "We have taken on people with language skills to cover virtually the whole of the continent."

Long insulated from the vagaries of the marketplace by guaranteed prices under the Common Agricultural Policy, Britain's farmers are often out of touch with what their customers want.

"Primary producers are mainly at planning production, but their marketing skills are undeveloped, particularly when they are producing an undifferentiated product," according to Gillian Shepherd, former agriculture minister, who launched the £10m marketing grants scheme in June.

George Ray, who runs Central Egg Agency, a farmers' egg co-operative in Solihull, handles a product that is difficult to differentiate unless by stressing the high health standards imposed on battery egg production in the UK. He sought a way of selling surplus eggs on the world market when the UK is over-producing.

"Before, these eggs would just be dumped abroad at low prices by wholesalers who wanted to get rid of them," he said.

Ray has used his grant to launch an export drive by which the eggs are marketed overseas before the surplus arises, allowing deliveries to be as fresh as possible. He has cut out the middle man, making direct contact with customers. "We've been going for nine months and we've far exceeded any expectations," he says. He sends eggs to the Netherlands and Spain and hopes to break into the Hong Kong market. The grant pays half of the salary for an export manager and half his travelling expenses.

For many small companies and farmers' co-operatives wishing to tap the export market, the grant provides the resources for a marketing drive. The grant can help organisations sharpen skills and re-direct their marketing efforts.

Stuart Edwards, managing director at Fenners Produce in Cambridgeshire, is using the money to organise three groups of potato growers in anticipation of the demise of the central Potato Marketing Board.

Edwards has identified north Lincolnshire, north Norfolk, and Herefordshire as the areas with soil suitable for growing the type of potatoes he wants when the PMS is dismantled. The PMS, which sets quotas for growers, is due to be abolished in 1997, but potato producers are calling for the market to be deregulated before then.

"We are not making any dramatic changes, but we are starting to become closer to our growers so that we can rely to them the needs of the customer," Edwards said. That means encouraging farmers to grow varieties for harvest at specific times of the year.

Some farmers still have to be convinced that better marketing will help sell their produce. To try to overcome innate conservatism, the National Farmers Union is conducting a study into how producers might best use the grants scheme. As one official says: "We can't eliminate the food trade gap overnight, but we have to realise we're in the single European market now."

PEOPLE

They're all coming to Cymru

All but one of the top jobs at the revamped Welsh Development Agency have been filled with the appointment of Derek Perkins (right) as head of its north American operation.

Perkins replaces Ivor Simpson, whose three-year contract is not being renewed. North America is a crucial target in the government-funded agency's attempts to woo inward investment. There is a presumption that the new senior management has been disaffected with the US performance.

The headquarters is to be moved from Princeton to Boston. James Turner, managing director for the WDA's international division, explains: "Our research has shown that Boston and the north-east seaboard area is one of the best regions for potential inward investment to Wales. It contains the largest concentration of any US region of large, growth-minded companies in

the high-technology field."

Turner himself is a recent arrival at the agency - he joined in May after a career which included working for Mars GmbH in Germany, Citibank and Prudential Assurance, where he was sales development director.

Perkins, who was the WDA's regional director for south-west Wales and previously responsible for the North American inward investment team in Cardiff, takes the title of executive vice-president.

His appointment means that the new brooms at the WDA, chairman David Rowe-Beddoe and chief executive Barry Harrop, who have the task of restoring the agency's damaged reputation, are close to completing a slimmer and more devoted structure. With the exception of Perkins, they have recruited from outside the agency for all the senior posts.

About 80 of the 400 staff have been warned that they may lose their jobs. Among the confirmed casualties is David Farnsworth, whose job as director of the development projects division disappeared under the restructuring. Ian Rooks, formerly marketing director, who was disciplined after the Commons public accounts committee criticised the agency last year, has also left.

Two of the three managing directors for the new regional structure in Wales - which is intended to allow for the delegation of more responsibility from the WDA's headquarters in Cardiff - have been appointed.

Elfed Evans, formerly district general manager for British Gas, has been made managing director of the west Wales division. Rudi Rowlands, who was chief executive of Yarged, the training and enterprise



council in north-west Wales, becomes managing director for the north region. The post of the south Wales managing director has yet to be filled.

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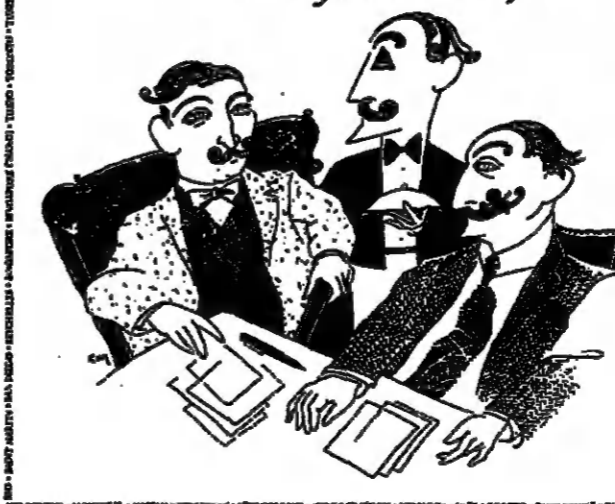
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Maracana - Rio de Janeiro - RJ
CEP: 20271-201
PHONE: 055-021-5665411 Fax: 055-021-5665125

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CHANCERY DIVISION
IN THE MATTER OF
UNIONCAMERA PLC
IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 13 July 1994, confirming the liquidation of the above named company, is the subject of a notice published in the London Gazette on 13 July 1994.
Dated this 11 day of August 1994
27 Chancery Lane, London WC2A 2RF
Solicitors for the above named Company

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Sheard's mystery departure from F&C

The fund management community is now pondering exactly what internal rules were broken by 36-year-old Daniel Sheard, the rising star at Foreign and Colonial who ran its high-profile Higher Income Plan.

Last Friday, F&C sent a letter to independent financial advisers, who have been selling the product particularly to elderly clients, advising them that Sheard had "committed a breach of well-established procedures" and, as a result, had resigned.

Moreover, Imro, the self-regulatory body for the fund management industry, has been

notified of the breach and may have to decide whether Sheard ought to be drummed out of the industry as "not fit and proper".

The fund, which aims to give investors roughly 9 per cent return on their investments, invests in equities, cash and debentures with equity kickers.

F&C informed the advisers because it feared that word of the sacking of a high-profile fund manager would leak out and the salesmen would be inundated with calls from concerned investors, according to Simon James, F&C's managing director.

But Sheard's offence still remains a mystery. James says "it wasn't a fingers-in-the-gill kind of thing," and that no investors have lost money as a result. The "action" was a single event which was spotted by a colleague who noticed something wasn't quite right. When confronted, Sheard owned up immediately.

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TECHNOLOGY

You can never be too rich or too thin, the saying goes. And in the computer world you can never have too much computer power or memory - which forces microprocessor manufacturers into an increasingly expensive quest for technologies that will bring greater performance.

The ambitious goal of the recent alliance between US electronics giants Intel and Hewlett-Packard is to develop a microprocessor that will perform 10 times faster than current microprocessors.

These next-generation microprocessors will be used in PCs with the performance of today's supercomputers. Computer-intensive tasks such as speech and handwriting recognition will allow people to communicate easily with their computers, while the machines process vast volumes of data in the form of three-dimensional, high-resolution graphics and manipulate massive database files. Virtual reality systems will be as common in business settings as they will be in home entertainment systems. And the new computer power available will create applications not yet envisaged.

But to reach this stage, vast investment in research and development and expertise in a large number of different areas will be needed. It will also mean correctly identifying the technologies to enable such a large increase in performance.

The alliance of Intel and HP has focused attention on a little-known technology called Very Long Instruction Word (VLIW). Both companies say VLIW may be one of the technologies included in their future microprocessors.

Most PCs use a type of microprocessor design called complex instruction set computer (CISC), a design with its roots in the 1970s. As memory chips became cheaper in the 1980s, researchers found they could make microprocessors more efficient if they simplified the design and let the system software handle more of the complexity in analysing and executing the programs. These types of microprocessors are known as reduced instruction set computers (RISC) and are typically found in high-performance workstations and are gradually emerging in PCs through products such as Apple Computer's Power Macintosh computers.

VLIW offers to take this process a step further by making the microprocessor design very simple and using special software known as software compilers to analyse the programs and feed the code rapidly into the microprocessor.

HP has made the biggest investment in VLIW, which was first pioneered by the now defunct computer company Multiflow in the mid-1980s.

OH GOOD, JUST WHAT I NEED - A COMPUTER SYSTEM THAT WORKS EVEN FASTER



Promise of power

Tom Foremski looks at the next generation of computers which will have vastly increased performance

HP's focus is to improve superscalar functions in microprocessors. Superscalar means that a microprocessor can handle more than one task or instruction within a time period or cycle. Some CISC microprocessors can take several cycles to process a single instruction. But superscalar microprocessors, such as the Intel Pentium or the PowerPC from IBM and Motorola, can handle two or more instructions in one cycle, greatly improving microprocessor speeds.

HP is hoping to go beyond current superscalar designs with a microprocessor design it calls "super parallel". Super parallel microprocessors could process as

many as 32 instructions per cycle. Intel and HP are not the only companies interested in VLIW. IBM says it has several patents on VLIW technology and is considering including the technology in its future microprocessors.

But not everyone is convinced that VLIW is the way forward. IBM, Motorola and Apple Computer formed an alliance, called PowerPC, three years ago to develop high-performance RISC microprocessors. The alliance created the Somerset Design Centre in Austin, Texas, staffed with several hundred top chip designers.

Russell Stanphill, co-director of the Somerset Design Centre, says

that developing radically different microprocessor architectures may be premature. "I believe that RISC technology has a long way to go before we run into limitations - RISC is still in its infancy. There are also questions about whether VLIW is a good approach. Does it make sense to give the compiler such a massive task to do?"

Linley Gwennap, industry analyst and editor of The Microprocessor Report, claims other companies might ignore VLIW and take a different approach. "You could choose a multi-processor chip approach that would ensure easier backward software compatibility. Or reconfigurable microprocessors where you use gate array technology to reconfigure your microprocessor for specific tasks."

But whichever technology is chosen, developing new microprocessor designs and manufacturing them is increasingly expensive. Apart from the R&D expense, building a microprocessor factory can cost \$1bn (\$600m) it is a job that Intel, the world's richest and largest microprocessor manufacturer, cannot handle alone. Its alliance with HP gives Intel access to HP's RISC microprocessor technology, its software compilers and its large customer base - while HP taps into Intel's chip manufacturing skills.

"This alliance raises the stakes in the microprocessor market. It will be very expensive to develop the next generation of microprocessors and it's clear that some companies won't make it," says Gwennap.

Microprocessor manufacturers must not only develop faster designs but also ensure they can get the economies of scale to match Intel which intends to manufacture tens of millions of microprocessors.

Sun Microsystems has already teamed up with Fujitsu, with the two companies pledging to spend more than \$500m improving the Sparc microprocessor architecture.

Digital Equipment Corporation's Alpha microprocessor faces the biggest challenge, according to Gwennap: "Digital lacks the economies of scale needed." For Alpha to survive into the next decade, Digital will need to find able partners.

Silicon Graphics, which produces the Mips RISC microprocessor, is hoping to obtain the economies of scale required by designing its microprocessor into a potentially large market for set-top TV boxes that will act as gateways to "information superhighways".

Intel clone manufacturers, such as Advanced Micro Devices and Cyrix claim they will be able to match whatever Intel produces. But while microprocessor design moves towards less complexity, paradoxically, the size of the microprocessor chips grows larger as additional system functions are placed on the same chip.

INTERNATIONAL AIDS CONFERENCE

Triple therapy offers high-cost hope

Paul Abrahams reports on the struggle for resistance



At nearly every presentation on the effectiveness of HIV drug therapies at the 10th International Conference on AIDS this week, one of the biggest concerns to have emerged is resistance.

The rapid speed at which the virus replicates, and the frequency with which it mutates, mean that HIV can alter itself extraordinarily fast and can, therefore, side-step the drugs administered to stop it. The result is that even the latest and most promising medicines, such as protease inhibitors, are likely to work for only a limited time.

Joseph Venna of Merck explained that his company's protease inhibitor L-735524 can almost eliminate the virus from the blood within two weeks.

But after only four weeks, the levels start to rise again as the virus builds up resistance.

One possible solution is to use a combination of drugs. Miklos Salgo, director of virological therapeutic research at Roche, showed that when zalcitabine, the protease inhibitor also known as Invirase, was used on its own, resistance built up quite quickly. But when used in combination with other medicines, the deterioration in performance was much less rapid.

The theory is that the chances of the virus finding the right mutation to overcome two drugs is less than those of overwhelming one. And the chances of the virus beating three treatments are even smaller.

Pharmaceutical groups are now busy preparing to test such triple therapies. The main problem with such treatment, however, even if it does turn out to be effective, will be one of cost.

In those countries able to afford available therapies, many patients are only able to gain access to such medicines with the assistance of governments, or by means of compassionate programmes set up by the drugs

groups themselves.

The already large gap between cost and financial resources is likely to widen. Stefano Vella of the Istituto Superiore Di Sanità in Italy has suggested that the development of polymerase chain reaction technology, which permits doctors to estimate the level of virus in the blood, could allow physicians to monitor regularly the effectiveness of treatments. That would allow them to chop and change multiple therapies for maximum effect.

While such therapy may improve survival and quality of life of AIDS and HIV-positive patients, the cost implications of such individual therapy are horrific and could undermine many governments' recent healthcare cost-containment efforts.

The cost of available therapies is already beyond the means of the vast majority of HIV-positive and AIDS patients - those who live in the developing world. Retrovir, the leading AIDS therapy, costs more than \$2,500 (\$1,800) a year. That compares with annual healthcare expenditure of between \$5 and \$10 per capita.

The most cost-effective form of healthcare is undoubtedly vaccination. But the international AIDS vaccine programme has hit the buffers because the US National Institute of Allergy and Infectious Diseases decided this summer not to go ahead with large-scale trials that would prove the effectiveness of an HIV vaccine. The reasons for the institute's decision were complicated. However, recent data suggested that although the vaccines could create immunity for HIV strains in the laboratory, it was unlikely to disable those in the real world.

The institute decided the risks of the trial - possible HIV infection by administering the vaccine, and the danger that those vaccinated might assume they

were immune and so undertake more risky behaviour - outweighed the benefits. Daniel Bolognesi of Duke University Medical Centre in North Carolina said the consequences of the decision were far reaching. For the US, it meant that trials would be delayed for between one and three years.

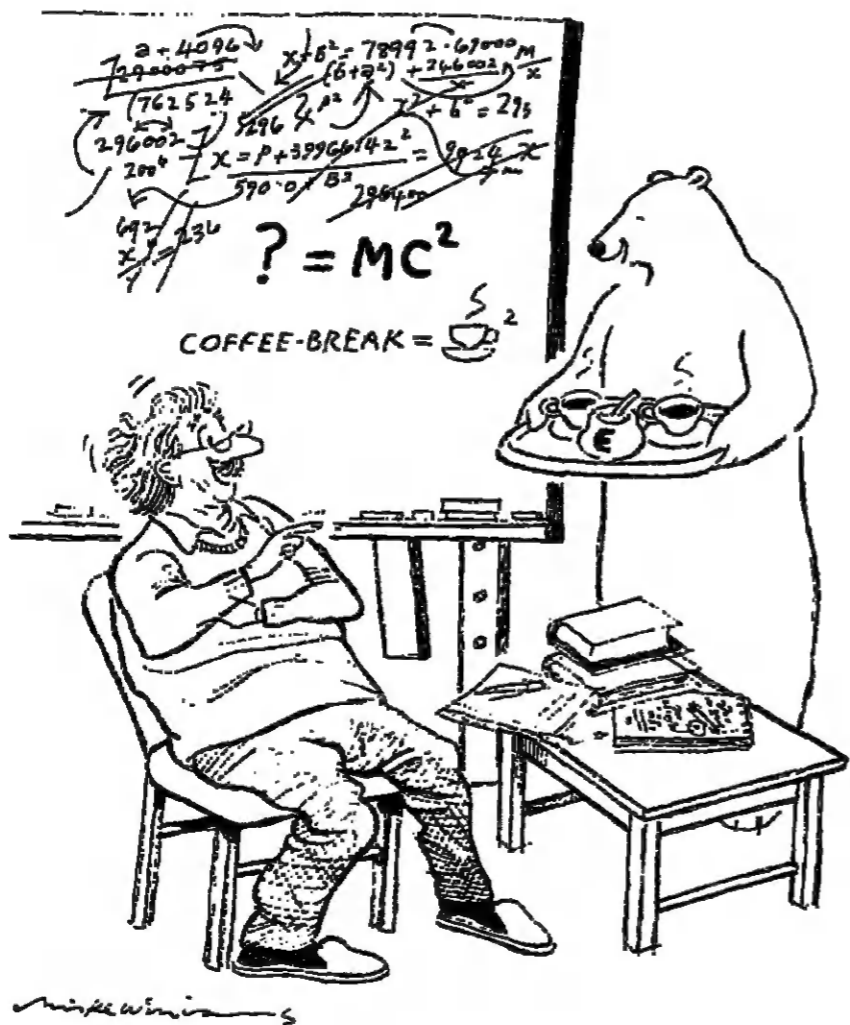
For the rest of the world, and particularly for the developing world, the US decision has created a desperate dilemma. The WHO had been planning to test the vaccine in Brazil, Thailand, Uganda and Rwanda (which is now impracticable).

The Brazilian government initially refused to participate because it was worried its citizens were being used as guinea-pigs. Its concerns, and those of other countries, that vaccines not safe or effective enough for the first world could be dumped on third world volunteers, are likely to be heightened.

However, African speakers were vehement in their support for the trials. Edward Mbiide from Mulago Hospital in Uganda said the risk-benefit equation was different in Africa from the US. In Africa there was no alternative to a vaccine: increased use of condoms, clinics for sexually transmitted diseases, education and counselling would never be affordable in Africa, he said. A vaccine was the continent's only hope. The only way to test whether it worked was to start trials.

Nath Bhamarapravati of Mahidol University at Salaya, Thailand, said the only way to test whether a vaccine worked was to start trials. Testing on animals gave no indication of a human vaccine's effectiveness. The trials clearly had to be ethical, he said, or the companies and organisations involved would be accused of human experimentation.

The cost of a three-year trial involving 9,000 people to test the effectiveness and safety of a vaccine would be only \$45m - less than the cost of a single F16 fighter jet.



"Cream and sugar, Mr. E.?"

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061

Financial Times. Europe's Business Newspaper.

مكتبة الامم المتحدة

Cinema/Nigel Andrews

Pulp hero pumps up the drama

For about a third of *True Lies* - the middle third - Arnold Schwarzenegger attempts to play a troubled human being. You can tell this by the sound of machinery winding down behind the Arnold face. The brows furrow, the voice and features are rearranged, by elaborate computer technology, into a broody quietude. Our hero Harry Tasker, a spy working for a secret agency charged with what the film's publicity calls the "intervention of nuclear terrorism," suspects his wife Jamie Lee Curtis of having an affair. Or as Arnold more menacingly pronounces it, an "affair."

Soon Harry is unleashing all the agency's know-how and manpower on Jamie's nocturnal wanderings, eventually having her caught in what seems a clear case of *flagrant*. Then he interrogates her to the point of tears through a one-way mirror and voice-distorting intercom. Later still, again incognito, he subjects her to a humiliating strip routine.

After *True Lies* the comedy of domestic jealousy, we return to *True Lies* the comedy adventure. Only we wonder where we mislaid our sense of humour. For much of this two-hour 30-minute movie, the Austro-American superstar's bid to bounce back from his *Last Action Hero* debacle resembles *Last Action Hero* with added misogyny and *schadenfreude*. Lots of stunts - here a blown-up Swiss chateau, there a pyrotechnic pile-up on a Florida bridge - and lots of quippy one-liners: "Have you ever killed anyone?" "Yeh, but they were all bad." But there is also a new, worrying sense of let's-pump-up-the-drama.

When the Schwarzenegger machine begins to turn serious, there is something nightmarish about this man. As a paid-up if part-time subscriber

TRUE LIES (15)
James Cameron

BABY'S DAY OUT (PG)
Patrick Read Johnson

GETTING EVEN WITH DAD (PG)
Howard Deutch

beating Cameron's own *Terminator 2* to the costliest-film-ever record. If the money went mostly on stunts and special effects that are used like a heart doctor's electric clamps to shock life into a third, paranoid patient, the plot, in part one, Arabs threaten to blow up America with a nuclear bomb. Part two: Arnold investigates his wife. Part three: back to fighting the Arabs with reconciled spouse in tow.

This is clearly the star's bid to be James Bond for the 1990s. (Even the production designer Peter Lamont is a veteran of five Bonds.) All the fun of the espionage romp, with a bit of PMT thrown in - pre-millennial tension - in the form of topical geo-politics and career-stressed marriages. But Schwarzenegger's mega-muscle play with the gore and gags is different from the more dandyish 80's, and even less is it suited to black-comedy biop-

sies on an ailing relationship.

Zombie implacability is the man's speciality, accompanied by the boom of death-dealing epigrams. We cheer him here when he pilots a Harrier jump jet in and out of a skyscraper window, or when he crashes on horseback into a hotel's scenic elevator to pursue a fleeing baddie, or when he sepiotically gulps "You're fired" to the same baddie, dispatched while clinging to the end of a fighter plane's rocket. Schwarzenegger is a great star in two dimensions. Try to add a saviour third, let alone to extend his style of casual brutality into real life, and the charismatic cut-out becomes a family sinister hologram.

Baby's Day Out and *Getting Even With Dad* are the week's self-styled Hollywood "comedies". Each has a plot you could sell in five seconds to an excitable mogul. "Kidnapped baby escapes and has life-endangering adventures across big city." (Mogul: "Great! Maisie, pass me a contract form.") And, "Neglected son stumbles on ex-convict Dad's new crime plot and blackmails him into being a new and caring father." (Mogul: "Great! What's Macaulay Culkin's schedule?")

Master Culkin, alas, is free. But he is now a long-in-the-tooth twelfth and the voice is descending from pre-pubescent high C to middle A-flat. As for the face, so animated in *Home Alone*, it seems to have seized up almost completely. Perhaps he has had plastic surgery.

He is, of course, re-running his earlier success *Daddy's Home*. Much of *Getting Even With Dad* involves a knock-about burglar duo (Gallard Sarain, Saul Rubinek) and their "hilarious" humiliations at the hands of Master Smarmypants. That serves for sub-plot. The sub plot is in the hands of Ted Deaton as Dad, who must choose between keeping a



A great star in two dimensions: Arnold Schwarzenegger and Jamie Lee Curtis in 'True Lies'

priceless cache of stolen coins and holding on to the love of Master Culkin. We are amazed he takes so long to make up his mind, and even more amazed that he makes the wrong decision.

Baby's Day Out comes to us from the writer-producer of - guess what? - *Home Alone*. And it has much the same plot about a tearaway infant and his distraught and sunken parents (Lara Flynn Boyle, Matthew Glave).

Only difference: the new John Hughes-scripted romp does not feature a knockabout burglar duo. No, in a daring departure from precedent, the burglars here are kidnappers and they are a trio. Joe Mantegna is their leader, mugging gallantly away even when

script and Patrick Read Johnson's direction are almost zero. Scenes are either too short to make an impact at all (department store) or so long (building site) that they stretch a slapstick conceit into a form of serial confusion.

The only person to emerge with credit or dignity is the butler Andrews - no relation - and even he, to judge by the two-and-a-half lines of dialogue John Neville gets to utter, seems to have done most of his butting on the cutting-room floor.

By the way, there is also a new Hollywood comedy in town called *Blank Cheque*. This was not shown to the press but deals, I understand, with a small boy, his neglectful parents and a knockabout bur-

glar with whom he becomes amusingly involved...

Oh for the wings of a dove. Or the wings of an aeroplane, at least, to get us to the Edinburgh Film Festival. There, if you have any time between August 13-24, you should drop by to enjoy the riches. They include: a pair of exotically matched retrospectives (Japan's Shobai Imamura, Hollywood's Andre "House Of Wax" De Toth), a gala lecture by Bertrand Tavernier and a whole lot of hits from the year's previous festivals, including the opening film, Australia's runaway drag comedy *Priscilla Queen Of The Desert*. Oh, and you can also catch Arnold Schwarzenegger in *True Lies*.

Max's symphonic sections succeed one another like close links in a consecutive chain. From the bated-breath prologue for two flutes and a clarinet, many things expand in parallel and in contrast: brass chorales, soft wind dialogues, frenetic trills (with brilliant surges from trumpet and horn) and introspective solos. It ends with a long, elegant, dying fall, from *piccolo* strings and a nervous cello line to formidably high winds and a final, measured string-droop, barely audible.

One reason why it all tells so strongly is that Max has adapted himself to a more consonant vocabulary. Not *total*, of course; but far less profigate than before with minor seconds and major sevenths, which in dissonant profusion confounded the ear. Where used to need the big theatrical effects as guideposts through his scores, the Fifth Symphony says quite directly what it means - which does not preclude knowing evasions, bursts of formal rhetoric, or gravely honest solo utterances. It works, and I look forward to hearing it again and again.

The Proms Maxwell Davies' new Fifth

At Tuesday's Prom, Sir Peter Maxwell Davies conducted the Philharmonia in the premiere of his Symphony no. 5. He will be 60 next month. The Prommers received it with warm, vociferous enthusiasm: quite rightly, I thought.

Yet one might have expected otherwise; for Max's atonal idiom is as uncompromising as ever, whereas popular post-modernist fashions in "new music" have clutched back at tonality as to Nanny's apron strings. Max learned early that advanced, theory-conscious music went down better with lacings of Expressionist drama: hence the 1960s *Mad King* songs, and the inspired *Revelation and Fall*. Then he moved to Orkney, where his fascination with the seascapes and the light turned his palette toward neo-Impressionism - though the detailed workings-out of the music were formally rigorous, even arcane.

Embracing Sibelius was a natural next step (Nordic is Nordic, after all). It was not surprising that Max's First Symphony (1976) should declare inspiration from the Sibelius Fifth, in respect of large-scale form - not to mention its stark, long-sighted vistas. When asked why he should call his latest work a Symphony, Max allowed that it contained nothing like traditional "development", just like the later Sibelius, but earned the title in virtue of hard-wrought details.

Fair enough: this new Fifth, in a single movement, is dense, but also transparent and accessible. At well under half an hour it is less than half the length of his First, but it is superbly compact, and exercises a relentless symphonic grip. A near comparison would be a late- or post-Romantic Passacaglia, where a repeated ground-bass ensures the unity of disparate variations which may trace their own dramatic trajectory. (Earlier Matthias Bamert conducted Weber's early Passacaglia, which is just such a piece, with rare, sensuous subtlety.)

Max's symphonic sections succeed one another like close links in a consecutive chain. From the bated-breath prologue for two flutes and a clarinet, many things expand in parallel and in contrast: brass chorales, soft wind dialogues, frenetic trills (with brilliant surges from trumpet and horn) and introspective solos. It ends with a long, elegant, dying fall, from *piccolo* strings and a nervous cello line to formidably high winds and a final, measured string-droop, barely audible.

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David Murray

Theatre/Martin Hoyle

Three sisters in search of their roots

Just as Muriel Spark's novel *The Girls of Slender Means* recalls a time when all the nice people were poor, so sophisticated pre-war American films evoke an era when all the nice Americans sounded English. Reminded of this by *The Sisters Rosensweig*, I was amused by a coincidental reference to Muriel Spark in Wendy Wasserstein's comedy. This is an Anglo-American affair par excellence.

The action amiably unfolds in the Holland Park home of Sara (Janet Suzman), a high-powered American in international banking who needs "very good" pieces in the *Financial Times* (as who does not?). The time is the recent past, when the Soviet Union was collapsing and \$400 were worth \$200. As old alliances crumble and the world takes on a new shape, the characters too try to focus on themselves, their context and their identities.

Sara's visiting sisters are

Pfeni, traveller and author, involved with a bisexual English theatre director (whose hit musical based on the Scarlet Pimpernel sounds all too plausible); and Gorgeous Teitelbaum, self-styled "housewife, mother and radio personality" who enjoys fame as an agony aunt of the air waves back home, a cross between Doctor Ruth and Clare Rayner. Gorgeous is the sister who succeeded: she married a lawyer, had children and moved to the suburbs. She insists on lighting the candles and covering her head with a towel for the Jewish Sabbath ("A seance?" asks the teenager's boyfriend as he enters). The secular Sara is thoroughly Anglicised, after two divorces coolly keeping emotional commitment at bay, and intends her teenage daughter for Oxford.

None are - or is, as a stickler for grammar reminds us on stage - as secure as we think. Gorgeous's husband Henry, it is revealed, is out of work and

aspires to write Chanderlesque thrillers which he researches in mean streets and low dives, somewhat hampered by an adherence to Diet Coke. Theatre director Geoffrey, having turned to Pfeni on the rebound from a gay affair and desolation at the Aids striking his circle, ultimately decides he misses men though he envies himself and Pfeni as "the most remarkable friends".

And Sara's defences are breached, to her resentment, by the nice and the ordinary: a widowed furrier, or rather a politically correct purveyor of "synthetic animal protective coverings". The most articulate of the three, Sara finally describes herself (unjustly) as "a cold and bitter woman who has turned her back on her family, her religion and her country". Even her daughter backs out of a nationalist adventure with her Lithuanian boyfriend.

It falls to the daughter to ask the question that might apply to all of them: will they always be watching, never belonging?

They puzzle ruefully about their identities, taken to extremes in the young girl's lament that she is neither European nor English nor American nor Jewish.

Of course, some might think this points the way to the new internationalism; but the play's message seems to be gently in favour of roots and a cultural identity - if you can find them. It sounds rather sombre, but the writing is literate, amusing and wryly resigned to the uncertainties against which Channel swells and financial tycoonery are no protection, and international invivdom no defence - as the director admits, he has no sense of who he is except in the darkened theatre where he makes it all up.

A success in the US, the piece, for all its humorous Jewish self-deprecation and family argument (none of it very intense), is less Neil Simon than Philip Barry, the pre-war

American author of such comedies as *Holiday* and *The Philadelphia Story*; urbane, concerned, the heartbeat belying the slur of the well-heeled and grudgingly self-aware.

A good cast could be better: Michael Blakemore's production could give more thrust to these over-controlled and emotionally slightly languid characters. But Janet Suzman brings her intelligence to Sara, and the younger generation are sweetly and convincingly portrayed by Helena Schmeidel and James Aron. About Maureen Lipman as Gorgeous I have a problem. Ten seconds into any Lipman performance I begin to giggle helplessly. While this might - should she opt to play Medea, Phaedra or Hecuba Gabler - suggest in one or other of us an unsuitability for our chosen profession, as long as she plays comedy our relationship goes swimmingly.

'The Sisters Rosensweig' is at Greenwich Theatre (081-858 7755).

INTERNATIONAL ARTS GUIDE

FESTIVALS

EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of an important new venue, the Edinburgh Festival Theatre.
● The drama line-up is headed by Peter Stein and Robert Lapage. Stein presents a Russian cast in a seven-hour production of *Aeschylus' Oresteia* trilogy (Aug 25-28), while Lapage gives a world premiere of his new work *The Seven Streams of the River Ota*, the river which runs beneath Hiroshima (Aug 14-21). Other theatrical works on offer include Goethe's *Torquato Tasso* in an English translation (Aug 15-20); J.M. Synge's *The Well of the Saints* from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble's German-language production of *Antony and Cleopatra* (Aug 16-18) and a French-language production from Orleans of *The Winter's Tale* (Aug 23-25); and the UK directorial debut of Luc Bondy in a

quintessential international festival production, a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22), followed by the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of *Fidelio*. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets.

Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Bruggen, Christoph von Dohnanyi and Gunter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's *A Midsummer Night's Dream* (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Elgar's *The Dream of Gerontius* on Sep 3.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257.

GLYNDEBOURNE

The remainder of the season consists of Glyndebourne's classic production of *The Rake's Progress* in David Hockney's sets (final performances tonight and Sun), a revival of Trevor Nunn's 1992 production of *Peter Grimes* with cast headed by Anthony Rolfe Johnson and Vivian Tynes (opening Aug 12, 15, 17, 20, 23, 25), and the new Simon Rattle/Deborah Warner production of *Don Giovanni*, with cast led by Gilles Cachelin (tonight, also Aug 13, 16, 19, 21, 24). The verdict on Glyndebourne's new theatre has been extremely positive (0273-541111).

HELSINKI

The theme of this year's festival (Aug 21-Sep 11) is Great Britain. The festival opens with Handel's *Messiah* conducted by Miguel Gomez-Martinez, Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton, and there is to be a new ballet inspired by the images of Francis Bacon. Guest ensembles include the Michael Nyman Band, the London Sinfonietta and the Los Angeles Philharmonic (Lippuvalvika Ticket Agency: tel 644648 fax 628007).

LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep

10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andreas Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's *Winterreise*, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden. The opening concert next Wed is conducted by Kurt Sanderling (041-235272).

MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit. This year's programme opens on August 21 with a Pollini recital and ends on September 23 with Martha Argerich playing Beethoven's Second Piano Concerto, accompanied by the Lyon Opera Orchestra. Other visitors include Anne Sophie Mutter (August 24), the Pittsburgh Symphony Orchestra (August 25), Riccardo Chailly and the Royal Concertgebouw Orchestra (August 31), Ton Koopman and the Amsterdam Baroque Ensemble (September 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (September 8). Most events take place in the cavernous modern Auditorium

Stravinski (021-963 5450)

PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together gentle lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. The programme opens tonight with *L'italiana in Algeri* starring Jennifer Larmore and Kurt Stritt. Cecilia Gasdia sings the title role in a revival of Hugo de Ana's 1992 staging of *Semiramide*, conducted by Roger Norrington, opening on August 20. The third production is the one-act drama *Il signor delle lampadine* (August 24), conducted by Carlo Rizzi and staged by Graham Vick (0721-33184).

SANTA FE

This year's festival includes the American premiere of Judith Weir's *Ekidart* (final performance tomorrow), Francesca Zambello produces this and *Il barbiere di Siviglia* (Aug 26). This year's other new productions are *Toaca*, directed by John Copley with Mary Jane Johnson in the title role (Aug 27), and *Entführung* directed by Graham Vick (Aug 24). A revival of Göran Jarvafelt's 1984 production of *Intermezzo* completes the bill, with Sheri Greenwald and Dale Duesing as the Storches. And the pleasures of the place itself

never fail (505-986 5900)

STRESSA

Stressa's chief selling point is its situation on the shores of Lake Maggiore. The festival opens on Aug 27 with a Brahms and Mendelssohn programme played by the Freiburg Bach Orchestra and Chorus. Other guests include the violinist Uto Ughi (Sep 1), the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Settimane Musicali di Stressa, Palazzo del Congressi, Via R. Bonghi 4, 28049 Stressa. Tel 0323-31095 Fax 0323-32561).

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This weekend's concerts feature the Vermeer Quartet, the Pittsburgh Symphony Orchestra with Lorin Maazel, and a performance of Khachaturian's Violin Concerto by Itzhak Perlman. Next week Bernard Haitink conducts the third act of *Götterdämmerung* and a Sibelius/Brahms programme, with violin soloist Gidon Kremer. The festival runs till Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 other areas 1-800 347 0808).

ARTS GUIDE

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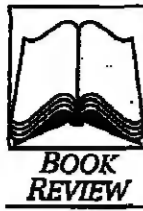
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A hack out of the old block



BOOK REVIEW

The unexpected return to power of Japan's Liberal Democratic party in a three-party coalition led by the Social Democrats has sent executives and commentators at some of the nation's leading television networks and newspapers scrambling for cover.

The LDP is angry at media organisations which branded its former leadership corrupt and dishonest once the party had fallen from grace last year, while heaping praise on successive new administrations for their programmes of reforms. Many media chiefs are now trying to restore former links with leading LDP members who, still seething, are threatening to cut some news organisations off from news emanating from the party.

Such fawning behaviour by the media is hardly a surprise: since its establishment early this century, the Japanese press has been part of the status quo and has sided up to those in power. It has never been given - nor has it taken on - the role of political critic. Moreover, the static quality of modern Japanese politics has meant the media have seldom been called upon to choose sides in any deep ideological or other conflicts.

Hiroaki Tase, a senior reporter at Nihon Keizai Shimbun, the leading business daily, says one of the main reasons for the confused state of Japanese politics is the unhealthy proximity between the media and politicians. The country's immature press has failed to check the excesses of politicians, who are widely seen as being preoccupied with securing favours for their constituencies while party power brokers have dispensed patronage among favourites.

Tase says his book, un-Japanese in its critical tone, is partly a confession of his own past "sins" as a political reporter. He says he realised that something was wrong with Japanese journalism when he was Washington correspondent for the Nikkei between 1985 and 1989. He found western journalism

POLITICAL JOURNALISM'S CRIME AND PUNISHMENT
(Seiji janarizumu no tsuzumi to batsu)
By Hiroaki Tase

Shincho, ¥1,250 in Japanese, 207 pages

much more open, analytical and critical.

One of the main problems in Japan, he says, is the *kisha* club, or the reporters' cartel, which is attached to and usually funded by each ministry, political party or faction, and business organisation. A journalist arriving in Japan for the first time faces a bewildering array of more than 600 *kisha* clubs accommodating more than 180 media organisations. Instead of commuting to the office, reporters from Japan's mainstream newspapers, wire services and television networks virtually live in these clubs, which resemble permanent newsrooms, waiting for announcements or briefings.

It is a cosy arrangement for both sides, allowing government and business officials to establish close links with the media while controlling information. Diversity and competition are sacrificed, as reporters, who know exactly what the competition will write, simply rewrite press releases.

Another factor contributing to the low standards of Japanese journalism, says Tase, is the lack of bylines for reporters. This, he says, has dampened competition between journalists and hence quality (although he fails to consider the case of a publication such as *The Economist*, which does not give its writers bylines). He also blames a lack of analytical skills among reporters on the way news organisations tend to promote hierarchy or for working long hours, rather than for their intellect. "After working from early in the morning to late at night, political reporters come home tired as a rag. They don't even have time to read books," he says.

He points out that the closeness between the press and politicians extends abroad. He describes a press conference hosted by the foreign ministry

at the Group of Seven summit in Munich in 1992 for Mr Kiichi Miyazawa, the then prime minister. The government official chairing the press conference ignored questions by non-Japanese reporters, allowing only approved questions by Japanese *kisha* club members travelling with the prime minister. But the Japanese mainstream media are not scared to kick someone when he is down, says Mr Tase. Mr Shin Kanemaru, a power broker in the LDP and a political legend created by the media, is a case in point. After he had been arrested and indicted in 1992 for receiving bribes from a trucking company in exchange for political favours, the media engaged in near-hysterical condemnation of him. The case against him is pending.

Tase warns that, if the media do not go back to the basics of journalism, scrutinising the political establishment and writing the truth, they will lose what remains of their credibility among the Japanese public.

Even though Tase's book has been received with resentment among some, his views are gaining support among journalists, particularly the younger generation. His solutions to the problems of Japanese journalism seem straightforward. He calls for the abolition of *kisha* clubs, the greater use of journalists' bylines, and the development of a media culture which nurtures the development of more analytical journalists.

Yet, if Tase's prescriptions are correct, it may be a while before Japanese journalism improves substantially and plays a leading role in forming public opinion, rather than merely regurgitating the government or corporate line. Although Tase has been following his own prescriptions, writing analytical and critical features under his own name, he remains in a minority within the press and even within his own newspaper. He argues convincingly that, in a culture where open debate is new, analytical and lively journalism may still take some time to establish itself.

Emiko Terazono

An unusual phenomenon has occurred across the UK's farmland this summer - a scattering of poppies has appeared amid the regimented rows of golden wheat. The poppies would normally be wiped out by liberal doses of herbicide, but this year they are evidence of a trend by European farmers towards curtailing the use of chemicals.

"There's a growing mood that we don't mind seeing the odd weed or two amid our cereals - a few years ago that would be a matter of shame," one producer commented.

The change has been brought about partly by public demands for farmers to be more environmentally sensitive and reduce their use of pesticides, herbicides and artificial fertilisers. The trend has been strengthened by the pressure on farmers to cut costs, as European Union subsidies are reduced under reform of the Common Agricultural Policy.

As well as cutting subsidies, the CAP reforms are designed to give financial incentives to farmers who adopt measures to safeguard the environment. Already some payments under the CAP depend on farmers taking action such as limiting grazing in environmentally fragile areas.

While only 5 per cent of CAP payments currently depend on meeting environmental standards, a further "greening" of EU agriculture policy seems likely. Mr Rene Steichen, farm commissioner, is among those wanting change. "Environmentally compatible production methods should be introduced as quickly as possible into general practice," he said recently.

In the UK, some large producers and environmentalists have joined forces to lobby for changes to the CAP, to bring it more into line with environmentally friendly methods of farming. The Gay Hussar restaurant, named after the London restaurant where it first met, was officially launched last month at the Royal Show, organised by the Royal Agricultural Society of England, in Stoneleigh, Warwickshire.

Many farmers in the group advocate a concept called "sustainable farming", which encourages producers to cut their use of agrochemicals - but not eliminate their use completely as in "organic" production.

Mrs Gillian Shepherd, before she moved from agriculture minister to education secretary last month, was keen to encourage sustainable methods - a system under which, she

UK farmers have not gone organic, but are profiting from going green, says Deborah Hargreaves

Cereal story with a wholesome ending

said, "crops must be profitable, meet the needs of consumers and the environment and conserve the soil".

Under such a system, farmers cut their use of weedkillers, artificial fertilisers and pesticides and, as a consequence, suffer a small drop in production. But they remain profitable because, by using fewer chemicals, they can reduce costs.

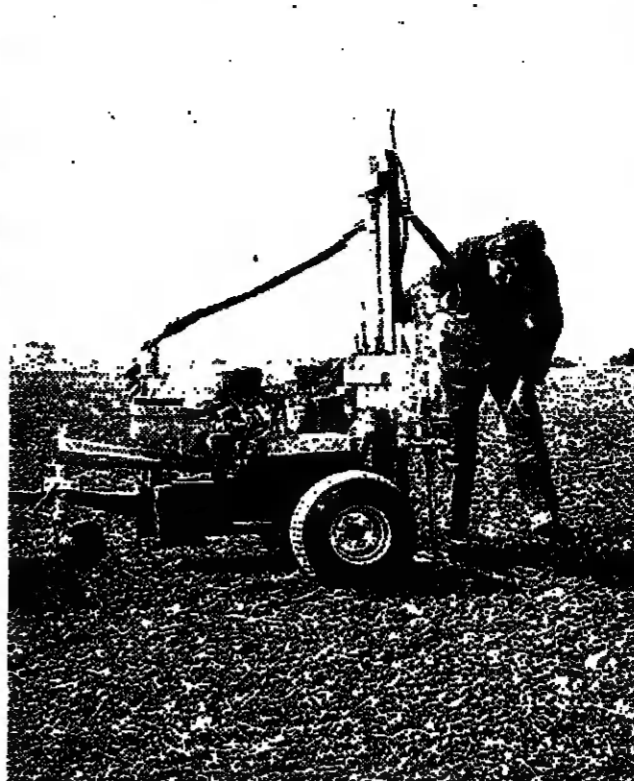
A research project, partly sponsored by the EU, at the Long Ashton Research Centre in Bristol is currently investigating how much farmers can cut chemical use and still remain profitable. It estimates that, if the use of chemicals was reduced such that crop yields fell by 8 per cent, costs would fall by 32 per cent - meaning the holding would remain profitable.

Mr Mike Calvert is one of the pioneers of the sustainable approach. As general manager of CWS Agriculture - an arm of the Co-operative Wholesale Society - he is one of Britain's biggest farmers with a total of 45,000 acres under his care. Keen to address the concerns raised by environmentalists, Mr Calvert initially tested organic farming methods. Five years ago he converted 300 acres of his 5,200-acre holding in Leicestershire, but soon found it was not profitable.

While conventional farming methods have given him an average profit of £150 an acre at the Leicestershire farm over the past three years, the organic part has made losses - last year of a total of £9,000.

Mr Calvert said his organic holding needed a large investment of costly labour to control weeds. He reckoned that in organic farming the overheads per unit of production were double those of conventional methods because so much manpower was used and crop yields were lower.

This year, Mr Calvert is testing sustainable farming on 130 acres of his land. He described it as "integrated farm management". Instead of using labour-intensive organic methods, he is devoting the man-hours to



Earth watch: some farmers have reduced their use of chemicals

drawing up plans for using chemicals and artificial fertilisers more efficiently.

Instead of spraying chemicals on all crops, he and his team spend up to six hours a day inspecting wheat fields for patches of disease or poor fertility to target later. Mr Alas-

Farmers remain profitable because, by using fewer chemicals, they can reduce costs

Lea, who manages the test area, said: "You're looking at specific problems and treating them, rather than blanket spraying as in normal farming. We're abandoning the blunderbuss and picking up a rifle."

Sustainable farming also offers a chance to break a vicious circle in conventional

farming, whereby producers often need to step up their use of chemicals to deal with problems created by an earlier application of other chemicals.

For example, said Mr Leake, wheat with growth that has been enhanced by chemical fertilisers is susceptible to a problem called "lodging" - when the straw is battered flat by the rain. If this happens, the crop does not mature and is hard to harvest. To avoid this, farmers apply a growth regulator which causes the wheat to grow shorter, so making it less vulnerable to lodging.

Mr Leake's solution is to be more careful in the initial use of fertilisers so that the wheat does not grow so high and thus requires less growth regulator.

It is the sort of common sense which was often lacking in British agriculture in the 1980s, when the use of chemicals peaked as farmers sought to maximise food production.

Now the conventional wisdom has changed - to such an extent that the large agrochemical producers and their trade organisation, the British Agro-Chemicals Association, have co-sponsored with supermarket groups a pressure group, Linking Environment and Farming (Leaf), which campaigns for sustainable methods. The chemical companies appear to have decided that it is better to promote the use of chemicals at a lower level, rather than risk organic farming becoming widespread. By promoting sustainable farming, chemical producers may also be able to head off the threat that CAP reforms will lead to severe restrictions on the use of their products.

Leaf, which has set up a number of demonstration farms, has attracted 100 members and affiliated organisations - of which CWS is one - in the UK and more on the Continent, including 800 in Germany. It encourages farmers to carry out environmental audits based on a questionnaire it has compiled.

Leaf reports strong interest in its audit system: it has sold 1,000 copies of the questionnaire at £20 each. But that represents less than 1 per cent of the UK's 250,000 farmers. It is a hard message to sell to the majority of producers, who are being encouraged to farm in a totally different way than they were 10 years ago.

Mr Fraser Hart, an arable and pig farmer in Gloucestershire who has adopted sustainable methods, said the transition was not easy. "It's more difficult to farm this way, and what do you do when you're faced with a major epidemic of pest?"

For example, the orange blossom midge threatened to cut wheat yields by 30 per cent this summer. "That's bankruptcy for some farmers and I'm afraid we chicken out. We didn't want to spray, but we did it to save our crops," he explained.

At the same time, farmers trying to stick to environmental guidelines can still be their own worst enemies. Mr Calvert said: "You have to change your perception of what is pretty. Pretty to a conventional farmer is wheat which is dark green and lush in straight rows, whereas to the public it may look much better with poppies in it. Farmers may have to lose their obsession with neatness and tidiness. We were the scruffiest place in Leicestershire for a time."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Not only New York funds drive gold price

From Mr Timothy Green.

Sir, The analysts at Bear Stearns & Co argue that the gold price is too high at \$380 an ounce (Letters, August 5). This may be the view in New York, which often forgets the wider world in which the interplay of many markets makes the price.

Although one driving force in gold recently has been the ubiquitous "funds" in New York, the underlying strength of the gold market continues to be strong physical off-take for jewellery and industry in places as diverse as India,

Indonesia, Italy, China and the US itself. This demand alone outstrips, even at \$380, new mine production and scrap. At \$330 in early 1993, gold was perceived as so "cheap" that it triggered demand not seen since the metal was at \$35 an ounce 25 years ago.

Which brings us to Bear Stearns' remarks about the Fed (where, of course, Wayne Angell was a board member until recently). The Federal Reserve Bank of New York has been out of the gold market since it closed its gold "window" in 1971, no longer hand-

ling out gold for dollars at \$35 to any passing central bank. Unlike the Bank of England, it has not maintained its expertise in the gold market. So how is the Fed to "get" the price back between \$320-\$340? Start selling US reserves at those prices to all-comers? Has it been forgotten that in the 1960s the central banks' gold pool tried in vain to hold gold at \$35? Or that the US Treasury sales in the late 1970s were seen as a vote of no confidence in the dollar? The Treasury got \$255 an ounce for its gold; the price pressed on to \$800.

Moreover, markets now regard the gold price as a moveable feast. When historically it was principally a monetary metal, the benchmark offered by the stability of its price was crucial. But the world of gold has moved on: the cocktail of forces determining its price today means that any central bank trying to "stabilise" it to suit its own convenience does so at its peril.

Timothy Green, (author, *The World of Gold*), 8 Finsbury Place, London SW1P 4PT

Chart gives true picture

From Mr Kieran P Wright.

Sir, Professor Wynne Godley (Letters, August 9) claims that a Bank of England chart cited by Lex on August 1 is misleading. The chart - contained in my article on company profitability and finance in the August Quarterly Bulletin - shows the development of industrial and commercial companies' investment as a percentage of gross domestic product since 1975.

Prof Godley claims that it is misleading because the sector now includes privatised industries which were previously nationalised.

Indeed, the sector has become wider, as the article fully acknowledges, but the national accounts data do not identify separately investment by privatised industries.

Nevertheless, the chart is not misleading: an alternative chart of whole economy non-residential investment, covering both private and public sectors, in relation to GDP would show broadly the same pattern.

Kieran P Wright, monetary analysis division, Bank of England, Threadneedle Street, London EC2R 8AH

Role in Italian rail wages deal

From Mr Publio Fiori.

Sir, I refer to the article by Andrew Hill, "Italian rail deal raises wage cost fears" (August 9). In this the author does not state that I absolutely refused to take part in the negotiations and only asked the Italian state railways to honour the agreement made two years ago between it and the drivers' union when I was not a minister.

When the Italian courts, for which I have great respect, decided that the agreement was valid and ordered the state

railways to pay interest on outstanding payments and legal costs, I intervened as guarantor of those rights.

I am surprised that as authoritative a paper as the Financial Times did not take the trouble to try to seek my views before writing an article which could be used to political gain, which is outside the scope of your newspaper.

Publio Fiori, transport minister, Ministry of Transport, Rome, Italy

Nuclear states and the non-proliferation treaty

From Dr David Lowry.

Sir, In their otherwise admirably informative review of the current developments in nuclear proliferation and its control ("Tick, tick, tick, tick them off", August 5) Jimmy Burns and Bronwen Maddox make two presentational errors that deserve correction.

First, in the accompanying map on the spread of nuclear weapons capability, they entirely overlook Canada's significant nuclear infrastructure.

According to the 1994 edition of Nuclear Engineering International's *World Nuclear Industry Handbook*, Canada has 23 nuclear reactors operating at seven different sites. Additionally, it has a nuclear research centre at Chalk River, where scientists worked on the Manhattan atomic bomb project, whose technically successful outcome has just been marked with the 49th anniversary of the atomic destruction of Hiroshima and Nagasaki.

Canada also has very significant uranium deposits, as has Australia, a country identified as having large civil nuclear capability, although it only has two small research reactors and no commercial reactors planned or operating.

Second, your specialist writers misrepresent the text of the nuclear non-proliferation treaty (NPT) in saying that it "permits five countries to have nuclear weapons programmes". It does not. The NPT text defines a nuclear weapons state as one which has demonstrably tested a nuclear weapon (which interestingly itself remains undefined in the treaty) by January 1967.

It is to confuse the definition of a nuclear weapons state with the proposition that the NPT "permits" such a status where both your authors, and the foreign office, are inaccurate. Indeed, under article VI of the NPT each of the states party to the treaty - including the nuclear weapons states - are committed to entering into negotiations in good faith and at an early date towards nuclear disarmament under strict and verifiable international control.

This is hardly a permissive commitment to the retention of nuclear weapons. David Lowry, visiting research fellow, The Open University, Walton Hall, Milton Keynes MK7 6AA

Customer confidentiality paramount in status inquiry system

From Mr Terry Thomas.

Sir, You reported ("Credit check plan on hold", August 9) that banks and some of their customers are experiencing practical difficulties following the introduction of a new pro-

cedure for status inquiries. The new system was devised following the Co-operative Bank's refusal to answer inquiries without the express consent of its customers.

I hope that, despite any

teething problems being experienced with the new system, everyone will accept that customer confidentiality must remain paramount, and that we can now all be confident that no one can gain informa-

tion about our accounts without our permission. Terry Thomas, managing director, The Co-operative Bank, 1 Balloon Street, Manchester M40 4EP



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FINANCIAL TIMES

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Thursday August 11 1994

Ratifying EU agreements

The European Union is in a mess. The ratification of its international agreements. This week the European Court of Justice has ruled that an anti-trust agreement between the European Commission and the EU government is void. More seriously, there is disagreement over how to ratify the Uruguay Round. The EU must find a way of resolving these disputes in ways that allow it to play its role on the global stage.

Underlying both controversies are the vexed issues of EU-competence, and suspicion of the Commission. Nobody doubts the need to ratify the Uruguay Round agreement. The question rather is how. But if it is not answered sufficiently swiftly, ratification may be delayed until next year. In that case, the EU might not be a founder member of the World Trade Organisation. Worse, delay on this side of the Atlantic might encourage delay on the other, increasing the risk that the whole process will go awry.

The Commission argues that it should be possible to ratify the Uruguay Round under article 235 of the Maastricht treaty. Parliament will then have powers, similar to those of the US Congress, to vote yes or no on the package. Parliament's new role, however distasteful to some, has not been challenged by member states. Nor do they seem to have a basis for doing so. It is also agreed between the Commission and member states that, whatever the technical requirements, ratification should be unanimous. In some cases, this will require consent by national parliaments.

Divisive issue
The divisive issue is what other treaty articles should provide the basis for ratification. The Commission argues for Article 113 alone, which gives it sole legislative power under the common commercial policy. But member states insist that the Uruguay Round covers articles in the treaty where competence is divided between the EU and member states. Those other articles relate, in particular, to services, transport and intellectual property.

As yet, the member states have no consensus on which legal basis to adopt. But the Commission has already made the

Court of Justice for a ruling on this question, arguing that this is vital not so much for ratification, as for the EU's subsequent role within the WTO. If there were no assignment of competence to the EU, argues the Commission, it would be unable to negotiate effectively. This would create disorder within the WTO and frustration among the EU's trading partners.

Against this, member states insist that the EU lacks not just all the exclusive competences claimed by the Commission, but still more such competence in new areas of the WTO agenda, labour standards and the environment. Divided competence is inescapable. The solution is to make it possible for the EU to negotiate effectively, without the member states conceding powers it lacks.

Compromise required

A compromise is required, not least because the Court is unlikely to reach its decision before November. Member states are proposing a code of conduct that would govern negotiations in areas of divided competence. The code would grant the Commission its role as sole negotiator on matters covered by the WTO. Such a code of conduct could be agreed as early as September. Thereupon, the Commission should withdraw its application to the Court. The question of the legal allocation of competence in controversial areas should then be left to member states at the inter-governmental conference due in 1995.

The Commission cannot claim sole EU competence for all matters that might fall under the WTO. What it can - indeed must - insist upon is the power to negotiate effectively. Member states now blame the Commission for the delay in ratification. This is somewhat unfair, since the issue of competence is important. But it must not be resolved legally. The powers granted to the Commission under Article 113 are sweeping, while the areas covered by the WTO are sensitive. To insist that all of the latter already fall under the former is bound to exacerbate suspicion of the Commission. What is needed is an operationally effective compromise - and early ratification of the Uruguay Round. The Commission should do everything it can to achieve both.

Making sanctions work in Iraq

Sanctions can work. They played a part in convincing white South Africans that apartheid was not a tenable long-term solution for their country; and President Milosevic would not even be pretending to apply them to the Bosnian Serbs unless he were seriously anxious to get them seriously. In Iraq, sanctions are clearly "biting". Western visitors report a bleak economic picture, with minimal activity and no hope of change. Moreover, Iraq has complied, to a surprising extent, with the conditions imposed on it by the UN Security Council, including acceptance of long-term monitoring of its nuclear and chemical disarmament.

With Iraq, as with Serbia, the question arises whether compliance should be rewarded by a partial lifting of sanctions. For the UN, it seems to be a conundrum. The UN permanent Security Council members that lifting the sanctions now would be "premature". All agree that the UN must not demarcate the Iraq-Kuwait border, and co-operate in investigating the disappearance of Kuwaiti subjects on Iraqi territory. In addition to concessions it has already made, Iraq seems to be a candidate for a partial lifting of sanctions. But whereas France and Russia might be satisfied with this, and advocate setting a fixed timetable for when the council should consider lifting sanctions from Iraq, the US and UK have a longer list of demands, including an end to human rights violations and an alleged sponsorship of terrorism. They fear that to set a fixed period would fatally undermine the sanctions by encouraging both Iraqis and foreigners to assume that they are being phased out.

Undoubted hardship

There is no humanitarian argument for lifting sanctions on Iraq. The undoubtedly hardship suffered by the Iraqi people is caused not by the sanctions (which specifically exempt food and medicine) but by Hussein's refusal to sell oil under the terms of Resolution 661, which would place the proceeds in an escrow account and spend part of them on humanitarian relief in Iraq under UN supervision. To let him sell oil and use the proceeds at his discretion

would be the opposite of humanitarianism: it would increase his ability to oppress the people of Iraq and to undermine the liberated area in the north with car bombs and other forms of sabotage. The strongest pressure for lifting sanctions comes from Iraq's neighbours, notably Turkey and Jordan. They have a case in that sanctions bear much more heavily on them than on the members of the Security Council. This is true also of Yugoslavia's neighbours. Article 50 of the UN Charter provides for states "confronted with special economic problems" arising from measures taken against another state to "consult the Security Council with regard to a solution of those problems". The council needs to respond much more imaginatively if it wishes to maintain sanctions long enough for them to work.

Broader strategy

Here as elsewhere, though, sanctions can only work as part of a broader strategy. The lack of such a strategy is made painfully obvious in the Iraq case by the fact that the UN is being applied not only to the area under Saddam's control but also to the north from which western powers have obliged him to withdraw. The argument is that to treat different parts of Iraq differently would infringe its territorial integrity, by giving *de facto* recognition to a separate Kurdish state. But there is a way out of this, which is to give support to the Iraqi National Congress (INC). This body represents Iraqis from all parts of the country, and aspires to liberate Iraq as a whole. It has established a temporary base in the north, and its authority has been strengthened by its mediation between the Kurdish parties during their recent clashes.

Last year King Fahd of Saudi Arabia urged the INC leaders to proclaim a provisional government in the area they control. It is a suggestion they can only take up with western support, but that support should be forthcoming. So long as it is withheld, the INC persists that the west does not really wish to see Saddam replaced, and that sanctions are intended not to drive him from office but to punish the Iraqi people as a whole.

After a "bottom up review" of the US defence industry last year, Mr. Las Aspin, the then secretary of defence, invited industry bosses to the Pentagon. He explained that despite the recent slimming by defence companies, the industry was still too big for Pentagon orders to prop up. Defence companies would have no choice but to restructure and consolidate further. As the industry chief executives headed for the door, they turned to each other and said with one voice, "Well, I guess you guys really have a problem."

There is no doubt that the US defence industry faces a testing time. In the past decade the defence budget has been cut by a third in real terms from \$401bn to \$269bn, and the number of military personnel will have fallen from 2m in 1985 to 1.5m by 1997. But the cut in weapons procurement, and hence the impact on companies, has been even more significant.

From the peak of the Reagan arms build-up in 1985, the US budget for weapons purchases is almost two-thirds lower in real terms, down from \$122bn to \$45bn. In 1985, the US bought more than 31,000 new missiles, this year it will buy fewer than 2,500. The continually rising price of military technology has added an extra turn of the screw. In 1975, a slack period of defence spending following the end of the Vietnam war, the Pentagon could still afford to buy 283 fixed-wing combat aircraft. Next year it will get just 25.

Companies have had to respond rapidly to the constraints. At McDonnell Douglas, the company which makes the F/A-18 and F-15 fighters as well as the C-17 transport aircraft and commercial airliners, the workforce is almost halved. Other large defence companies have made similar cuts. According to Bankers Trust, a US bank, employment in the industry has fallen from 1,850,000 in 1980 to 800,000 now and may hit 600,000 within three years.

To combat the squeeze, companies have also been buying and selling subsidiaries in an effort to cut the number of aircraft, electronics and missile manufacturers. Yet as the meeting at the Pentagon suggested, most chief executives think their companies will survive, and most want to increase their presence rather than shrink it.

This bias is reflected in the pattern of transactions since the end of the cold war in 1989. Several of the deals, such as IBM's sale of its defence computing business to Loral, and General Electric's sale of its aerospace division to Martin Marietta, have been of predominantly non-defence companies deciding to leave a difficult market to the specialists.

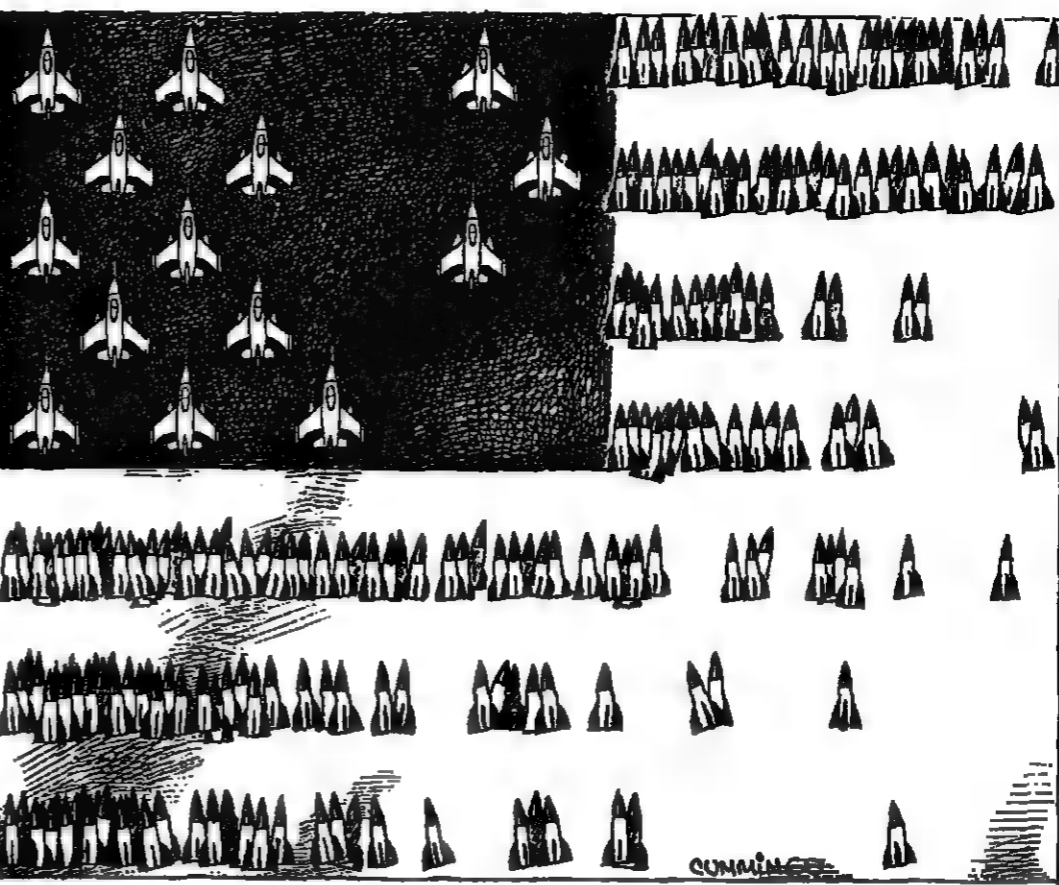
Of those running companies predominantly in defence, only Mr. William Anders, chairman of General Dynamics between 1991 and 1993, has so far taken the strategic decision to quit the field. He sold his F-16 fighter plant to aerospace company Lockheed, his missile business to missile specialists Hughes Aircraft, his space launch business to Martin Marietta, and his non-military aircraft business to Textron. General Dynamics is left with only its tanks and submarines operations, where it is the sole US manufacturer, and which Mr. Anders said last year he "probably could not sell even if I wanted to".

Other large defence companies, most notably Lockheed, McDonnell Douglas, and Martin Marietta, are probably big enough and have a sufficient backlog of orders to be sure of remaining in the defence business. They can afford to wait for the right buying opportunities. Mr. Daniel Telpuk, chairman of Lockheed, says: "There is much more consolidation ahead. Everyone is looking at everyone else, and we will have to be opportunistic."

Pressure is most acute for small and medium-sized companies with weak finances whose products are nearing the end of their production runs. Northrop manufactured the B-2 stealth bomber in the late 1980s, but as each aircraft cost more than

Fewer bangs for less bucks

The US defence industry is restructuring in response to deep cuts in weapons procurement, writes Bernard Gray



\$60m, production was stopped at 20 last year, though efforts are being made to restart the programme. Aircraft maker Grumman was also short of current products and the two merged earlier this year. Mr. Kent Kress, chairman of Northrop Grumman, says: "Most people have so far perceived themselves as buyers, yet as the options narrow some will be forced to become sellers." His merged company hopes to mitigate the misery by reducing central overhead costs, and draw on its stealth technology which makes aircraft hard to see with radar - for the next generation of weapons.

Mr. Telpuk, that over the next 10 years the US will be down to two military aircraft manufacturers. There is much more consolidation ahead. Everyone is looking at everyone else, and we will have to be opportunistic.

Two space and missile companies and two big electronics groups with a smaller number of component suppliers. Since, for example, McDonnell Douglas, Lockheed, Boeing and Northrop Grumman all still make aircraft, that implies some painful decisions to come.

Such a radical concentration has also raised fears that the US Federal Trade Commission or Justice Department may try to block mergers on anti-trust grounds. Many in the industry think that the idea of a fully competitive market in weapons procurement is alien when there is only one buyer, the US government, and a couple of sellers, locked together in 30-year projects. Most regard fully competitive tendering for large weapons systems as a luxury the US can no longer afford. Mr. Wolfgang Demisch,

defence expert with Bankers Trust, says: "The US has already taken the emotional decision that it is prepared to accept monopolies. We have a monopoly in tanks, in submarines and in strategic bombers. Now the combat aircraft business is imploding rapidly. We are simply not prepared to carry the cost of propping up artificial competition." Fortunately, however, boiling down the bones of defence contracts is not the only option open to the industry, and many hard-pressed companies are hoping for overseas sales to maintain production. Here too defence budgets are being cut, and the international market is becoming increasingly competitive. Buying from a priority for purchasing governments such as Gulf states, but value for money now counts too.

That can leave US companies at a disadvantage. Their equipment often incorporates the highest technology and is correspondingly expensive. The US industry is also tooled up for long production runs, so as volumes have shrunk in recent years its huge research and development costs have had to be spread over smaller numbers. As a result, unit prices for US equipment have risen compared with their competitors.

Rising prices not only hurt potential sales abroad, at home it threatens to price the most sophisticated weapons out of existence - as it has with the B-2 bomber. "We have to learn to cut fixed costs and research more economically," says a defence executive. "The escalating price of the B-2 marked the point where the US could no longer afford to buy bombers, and we cannot let that happen to other weapons systems."

The industry is making an effort to cut fixed costs, as the heavy retrenchment shows. Yet some companies are reaching the point where they cannot cut further and still

maintain the capability to build complex systems such as nuclear submarines. In certain cases the US government has accepted the strategic value of retaining central technologies. It will certainly order a B-2 bomber from General Dynamics which the navy neither wants nor needs, simply to keep the Groton, Connecticut, yard going into the next century.

More innovative ideas are also being tried. McDonnell Douglas has established a "Phantom Works" advanced engineering laboratory, along the lines of Lockheed's long-standing "Skunk Works". The Phantom Works is experimenting with production techniques which

Pressure is most acute for small companies whose products are nearing the end of their production runs

could revolutionise aircraft manufacture and cut the tooling cost of setting up a production line. The aim is to cut the fixed cost of any operation so that high-tech systems can be manufactured economically in small numbers. Computer-controlled high-speed cutting, for example, allows complex parts to be machined from a single piece of metal at a quarter of the cost of traditional methods. Cheap, disposable moulds for composite materials can be aligned using lasers and "software tools" to do away with the expensive metal tooling which the industry usually relies on to assemble aircraft.

Lockheed too has proved the worth of advanced engineering in small production runs. The company made the F-117 stealth fighter at its Skunk Works in conditions of

great secrecy during the early 1980s. Despite the fact that only 59 were built, Lockheed managed to keep the cost below \$45m per aircraft.

While the F-117 project gained from advanced techniques, it also had a huge advantage of a true "skunk" (and secret) procurement mill. As companies cut to help themselves, some orders from the government to ease the contraction pains, they still have to navigate the cumbersome US budget process. This is the single biggest limiting factor in competitiveness of the US defence industry.

Since procurement is a system of annual budgets, every development or manufacturing programme is up for debate every year, regardless of how far it has progressed. As a result, the development or manufacture of any system can be stopped or started at any time, for political reasons, such as protecting jobs, which have little to do with military need. Companies do not help their case, however, by lobbying congressmen to support their projects.

Horror stories about the budget process are common. Mr. Norman Augustine, chairman of Martin Marietta, one about an incident where companies working in three teams had responded to a government invitation to bid on a contract, only to be told 24 hours before the bids were due that the government had changed its mind and no bids would be accepted. The companies had spent more than two years and \$100m on their proposals and had to drop them.

The secretary of defence, Mr. William Perry, is committed to reforming procurement. However, his efforts are mainly aimed at simplifying the labyrinthine defence procurement process. Most industrialists think this is a useful reform, but that it does not attack the most serious problem: congressional interference.

Some projects - notably the controversially expensive C-17 transport aircraft - have been stopped for years in the development phase and then restarted. Others, such as the F-16 fighter aircraft, slipped behind their development and production schedules. Both causes huge disruption to the companies and, because the process requires detailed congressional approval at all times, involves huge costs.

"What the Congress does not seem to realise," says one exasperated executive, "is that you are not simply altering one thing by stretching a programme out. Thousands of other decisions are dependent on timing and we have to rework all of them. In the end that just adds to the cost which the US government has to pay."

With Congress determined not to limit its freedom of action to decide federal spending, the horse leading at the annual budget is unlikely to change. Congress seems prepared to accept that some weapons systems, such as the B-2 bomber and potentially the C-17 transport aircraft, can be priced out of production by a mix of botched development at the companies involved and politics.

As the economic pressure for consolidation into a few global defence companies increases, the US is still best placed to lead. US companies operate in a unified defence market twice the size of that in Europe. They can consolidate more easily than their European counterparts. They have the technological edge.

Yet unless the industry can engineer more consistency and less political manoeuvring into its planning it may not be able to take full advantage of its strong position. As Mr. Demisch of Bankers Trust puts it: "Overseas arms manufacturers are fortunate indeed that the US procurement process is not yet as well organised as it should be."

OBSERVER



electricity regulator, will perform the same task for electricity companies in England and Wales.

In both cases, the companies were advised of the results 24 hours before they were released to the market. In the case of water, not a detail seeped out. Byatt was able to reveal all to a waiting world.

Mr. Littlechild, the stock market has been certain for days what he is up to. By yesterday, dealing rooms were abuzz with the details, and excerpts from the report were even doing the rounds. Maybe it's just that electricity executives are bigger gossip than their water colleagues. But another

difference is that Byatt held a special briefing session for stock analysts. Littlechild declined to do so - which did not please the scribblers...

Jitterbug

Tired of TQM (Total Quality Management), and bored with BPR (Business Process Re-engineering)? Why not join the JTL club? It's becoming increasingly fashionable in the UK steel industry and is related to the JIT (just-in-time) delivery cult.

According to Metal Bulletin, membership is restricted to steel users who tend to wait until they are already running out of material before they order more. The result is that it arrives "just too late".

What a carillon

Is Sir Michael Edwards beginning to make a habit of this sort of thing? If Charter, the industrial group of which he is chairman, has to walk away from its £260m bid for Esab of Sweden, despite having 53 per cent of the target already in the bag, Edwards will have been there before.

Five years ago Sir Michael, as deputy chairman, was leading Minorco's £3.5bn bid for Consolidated Gold Fields. Minorco had bought shares and won acceptances that added up to more than 50 per cent of Gold Fields. But

it had to admit that the deal had become mired in US litigation and could not meet deadlines imposed by the UK Takeover Code.

On that occasion a New York judge proved to be the insuperable barrier. This time it is a few big institutional shareholders in Esab who are causing all the trouble. But the common thread, some would suggest, is that, had Edwards offered a little more, he would have sailed through without opposition.

Watership down

Even rubbish TV can have its benefits. Baywatch, the hit show about Los Angeles lifeguards, may have its faults, but at least it saved a pet rabbit from a watery grave.

Boogey was spotted by its 13-year-old owner, James Thorogood, lying at the bottom of the family pool in Perth, Australia. James dived in and initiated the cardiopulmonary resuscitation that had seen him on the programme. The buck very nearly stopped there...

Overtaken

Soon every driving examiner in Britain will have the lines off pat. "The good news is: your identity is safe with me. The bad news is: you've failed your test."

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SEC urged to widen
'soft dollar' rules

Two prominent US legislators called on the Securities and Exchange Commission yesterday to introduce new rules requiring investment managers to disclose more information about their so-called "soft dollar" arrangements with securities brokers and dealers. Page 15

Banesto loss less than expected
Banco Español de Crédito (Banesto), the Spanish bank which came under the control of Banco Santander in April in the final phase of a rescue operation, reported a lower-than-expected loss of Ptas2.5bn (€168m) in the first half and forecast that it would almost break even for the year. Page 14

Shares slide 7% at Novo Nordisk
Falling bond prices and the costs of merging two US companies led to a fall in pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and industrial enzymes group. The group's shares slid 7 per cent yesterday. Page 14

Cathay Pacific fails to match forecasts
Weak business in Europe and Hong Kong led to a lower than expected result at Cathay Pacific Airways. Swire Pacific's Hong Kong-based international airline. Interim earnings increased by 18 per cent but the dividend was held at 10.6 cents. Page 14

Watchdog suspends BPA shares
Portugal's securities exchange has suspended shares in Banco Português do Atlântico amid heavy buying attributed to core shareholders defending the bank from a hostile bid by Banco Comercial Português. Page 14

Swiss inquiry into alleged insider dealing
A preliminary inquiry has been launched into suspicions of insider trading in the shares of Fust, a Swiss household appliances retailer. Fust was part-acquired by Grands Magasins Jelmoli, a leading department stores group, in a controversial deal announced last Friday. Page 14

SCI cleared for Great Southern takeover
The UK's takeover panel yesterday refused to attempt to block Service Corporation International's revised offer for UK funeral company Great Southern Group. Loewen, the Canadian funeral group, was trying to prevent SCI from raising its bid, because the US company made a "final" 68p offer which omitted a standard clause allowing this to be raised in the event of competition. Page 18

WPP lifts profit by 80%
WPP, the UK marketing services company, yesterday put the dotation of part of its market research business on to the back burner after reporting a 80 per cent advance in pre-tax profits - in line with expectations. Page 17; Lex, Page 12

Hickson shares fall on flat profits
Intense price competition and volatile demand led to flat first-half profits at Hickson International, the UK speciality chemicals group. The group's shares fell 9p to 168p on pre-tax profits virtually unchanged at £12.1m (£18.7p). Page 19

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Chief price changes yesterday

FRANKFURT (DEM)	PARIS (FFP)	NEW YORK (US)
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452
Esab	750	452

LONDON (Pence)

Esab	750
Esab	750
Esab	750
Esab	750
Esab	750
Esab	750
Esab	750
Esab	750
Esab	750
Esab	750

P&G surges 24% in quarter

US consumer products group helped by sales and lower costs as full-year earnings reach \$2.2bn

By Richard Tomkins in New York
A 7 per cent increase in the volume of goods sold combined with the effect of lower costs helped Procter & Gamble, the US consumer products group, report a 24 per cent surge in underlying profits for its fourth quarter. Net earnings in the three months to June were \$406m compared with an underlying \$327m last time - though the figure actually reported last year was a loss of \$1.55m because of restructuring charges. Turnover rose 2 per cent to \$7.5bn. The company said the increase would have been 4 per cent but for shifts in exchange rates and lower pricing. Earnings per share were 56 cents against last year's underlying 44 cents. In July last year Procter & Gamble announced that it was to cut costs by closing 30 plants and shedding 10,000 jobs, or 11 per cent of its workforce. The move came in response to competition from low-cost and private-label products. Mr Edwin Arst, chairman and chief executive, said yesterday that the 11th quarterly results reflected progress towards the group's cost reduction objectives, along with a unit volume growth of 7 per cent worldwide. For the year as a whole, profits were affected by the \$102m charge to net profits that Procter & Gamble took in April to cover losses on an ill-fated foray into derivatives. This left net earnings at \$2.21bn, or \$2.91 a share. The previous year, the company made net profits of \$2.02bn, or \$2.81 a share, before the restructuring charge. Unit volume was up 6 per cent on the year with every major and geographic region recording increased shipments. The company said, and in spite of the derivatives loss, earnings were still ahead 10 per cent. "This is a good year, and if not for the derivatives loss, it would have been a great year," said Mr Arst. The results came the day after American Home Products, the US drug manufacturer, filed a lawsuit against Procter & Gamble accusing it of making false claims in advertisements for its new non-prescription drug Aleve. The move turns the tables on Procter & Gamble, which is aggressively litigious in defence of its own products. It has won a series of court cases against Evon Industries, a Chicago-based maker of hair care products, claiming that it was selling products in packages that infringed the design of Procter & Gamble's Pantene Pro-V and Shampers products. In Europe, meanwhile, Procter & Gamble is waging a bitter campaign against its rival Unilever over the Anglo-Dutch company's new-generation detergent, Persil Power.

Standard Chartered shrugs off Mocatta upsets

By John Gapper, Banking Editor

Standard Chartered, the UK-based international bank, insisted yesterday that upsets in the Hong Kong securities market and its bullish trading arm Mocatta had not affected profits and were unlikely to be repeated. It said the incidents which led to a ban on it underwriting new securities issues in Hong Kong, and allegations in the Philippines and Malaysia were due to tightening of its internal audit procedures. The bank increased its interim dividend 30 per cent to 2.55p, against 1.975p, as it disclosed a rise in pre-tax profit for the first six months to \$237m (\$367m), compared with \$170m. Earnings per share rose to 14.7p from 8.3p. Mr Patrick Gillam, chairman, said that the ban on Hong Kong underwriting until next April had "no effect on these figures or any significance at all" because the market in initial public offerings in the UK colony was going through a lull. Mr Gillam did not expect such incidents to occur again, although he added: "I cannot say we will never find anything else. We employ 30,000 people in a lot of countries, and people are people." Loans and advances to customers were flat at \$17.1bn, and Mr Malcolm Williamson, chief executive, said Standard Chartered was running down assets linked to commercial property in Hong Kong and other Asia Pacific countries because of the risk. Profits in Hong Kong fell to \$108m from \$122m, partly due to a 20 per cent narrowing of its net interest margin. Mr Peter Wood, finance director, said this had mostly been caused by it taking on some \$22m in longer-term liabilities to match assets. African profits rose to \$18m from \$25m, and growth in India contributed to a \$20m profit in the Middle East and South Asia, compared with a \$7m loss. Standard Chartered is appealing against a \$7.3m fine over its part in the Bombay securities trading scandal. Income from foreign exchange and securities dealing fell marginally to \$103m from \$104m. Net revenue rose to \$512m from \$479m, and expenses rose 7 per cent to \$518m. Provisions for bad debts fell to \$88m from \$128m. The 1 capital ratio shareholders' funds to assets weighted by risk rose to 10 per cent from 5.4 per cent. Its shares closed 16p down at 250p. Lex, Page 12

Hugh Carnegie finds Swedish institutions flexing their muscles

By John Gapper, Banking Editor

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No longer the family's faithful followers

By John Gapper, Banking Editor

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Hoogovens returns to the black

By Ronald van de Krol in Amsterdam

A strong turnaround in steel enabled Hoogovens, the Dutch metals group, to swing back into a net profit of F163m (€163m) in the first half from a net loss of F189m in the same period in 1993. The company's second business, aluminium, saw a marked improvement in the first six months of 1994 as it remained in the red overall. Hoogovens said the pace of European steel recovery had been quicker than anticipated earlier in the year. "The improvement is due, among other factors, to increasing exports, with the strength of the US economy having a beneficial influence," it said. Group turnover rose 11 per cent to F13.67bn, while operating profits surged to F1209m from a loss of F142m a year earlier. The steel division, which had already begun to emerge from losses in the second half of last year, posted pre-tax profits before extraordinary items of F118m, compared with a loss of F170m. Hoogovens attributed the improvement to cost-cutting, a rise in selling prices, and stable prices in Dutch guilders for raw materials such as iron ore and coal. In aluminium, losses were halved to F164m. Although sales of rolled and extruded aluminium products rose, selling prices fell compared with early 1993. The performance was also helped by a decline in financial charges to F189m from F121m a year earlier. A string of divestments of smaller companies and cost-cutting by more than F1300m. The company's continued cost-cutting has led to a further drop in the size of its workforce to just below 20,500 employees from nearly 24,160 in the summer of 1993.

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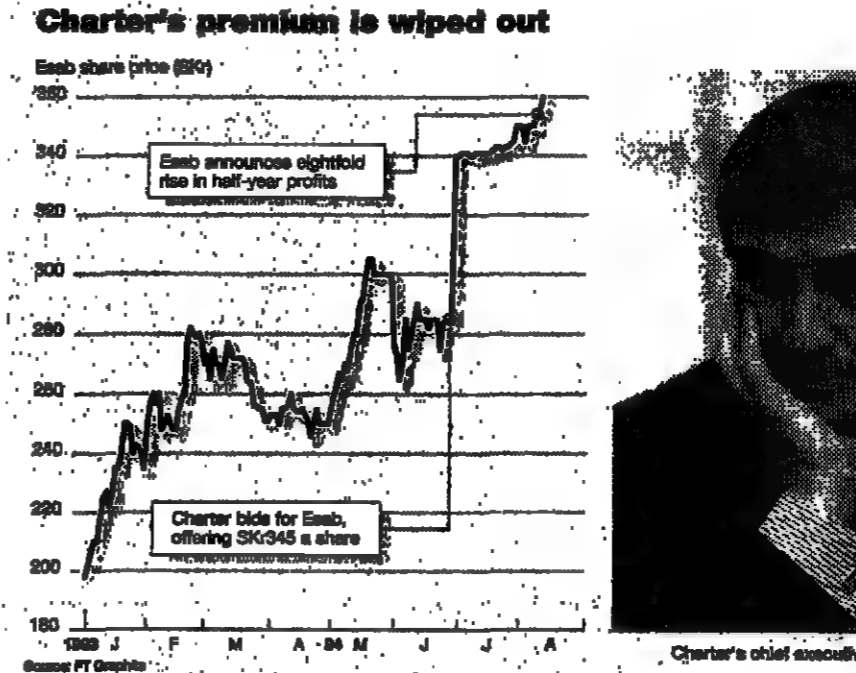
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Esab share price (SEK)
Source: FT CompuLink

Shares in Esab yesterday rose further ahead of Charter's bid price amid speculation that the UK industrial group would raise its offer. Esab B shares rose SKr5 to SKr360. Senior Charter executives yesterday met Swedish shareholders whose rejection of the offer has stalled the UK group's intention to take complete control. "There is still room for us to get a better price and for them to get a good deal," said one shareholder. The deadline for the offer is Friday.

Swedish-Swiss combine Asea Brown Boveri. In Charter's case, the UK company appears to have miscalculated the extent to which Swedish institutions now defend their interests. Having reached agreement with the Esab board and Executive, Charter executives proclaimed that the rising Esab share price - usually on low volumes - was nothing more than a brazen attempt to squeeze more out of the bidder. By the time Mr Jeffrey Herbert, Charter chief executive, and his colleagues arrived in Stockholm on Tuesday to see shareholders, it was too late. They were met by a series of public announcements of bid rejections. The smouldering Charter because it needed 90 per cent acceptance.

Undoubtedly, a perception among the shareholders that Charter was behaving arrogantly did not help. This, and a trade union campaign portraying Charter as an unwelcome foreign predator, was also reminiscent of the more hysterical moments in the Volvo-Renault affair.

The institutional shareholders have insisted that their objections lie simply in the bid price. Indeed, last year Swedish minority shareholders praised the takeover of Nobel Industries by Asea of the Netherlands.

In the case of the Renault merger, the institutions did have strategic objections to the plan to shift Volvo's core car and truck making operations under the wing of a much smaller French company. Then the consciousness of the ownership role we play has risen substantially, said an institutional shareholder.

But the new-found assertiveness has mainly applied to deal terms, rather than seeking real influence over corporate strategy. The power exercised by the Wallenbergs over their companies - often through less than majority stakes - has not been seriously challenged.

Two TWELFTI bricklayers were working away when a passer-by them what they were doing. "Laying bricks, squire," growled the firm.

"Sir, I am building a Cathedral," proudly proclaimed the second.

The first bricklayer working for a Mushroom Manager, the second for a manager who might well have been a Leadership Trust.

a delegate on of our 5/4 day residential you carry out projects are cunningly uncluttered representations everyday management situations. They throw them very sharp focus.

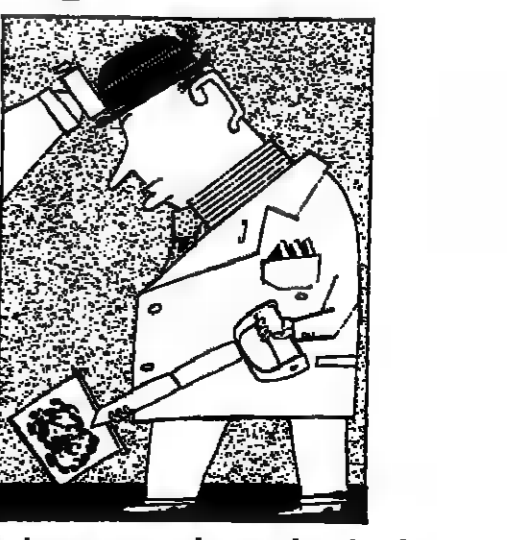
Your colleagues will senior management from other industries. Thus, as team-leader, you particularly careful explain a multi-national board director just why you him perform a particularly menial task.

And you may resolve to give your work-force back home a clearer idea of why they what they do. This is just one of the many you will confront.

By the end, you will have a very clear picture of your own leadership profile and the surge of confidence you will experience such self brings.

This in turn makes winning the respect reach an agreement if the Hanson offer were not concluded and this "would be in the best interests of Scholes". Although the Scholes board judged the offer "fair", he said it had only recommended the bid because a hostile offer document would have given "an unfair view of the company's situation". Scholes' results for the year to June showed pre-tax profits jumping 63 per cent to \$7m on turnover just 5 per cent higher at \$68m. It said in the absence of the Hanson offer it would have recommended a 25 per cent dividend increase. Hanson's offer of 25p a share in cash represents 20 times earnings, which rose 60 per cent to 12.3p. Lex, Page 13

2. The Mushroom Manager.



"He keeps people in the dark and every so often turns them in manure."

of other people far easier. The Leadership Trust is a professional organisation specialising solely in the development of leadership potential.

For a full list of our clients and a detailed brochure, please contact Francis Macleod, Chief Executive, The Leadership Trust, Weston-under-Penyard, Ross-on-Wye, Herefordshire HR9 7TL. Telephone 0989 797071. Fax 0989 797072.

THE LEADERSHIP TRUST

INTERNATIONAL COMPANIES AND FINANCE

Banesto loss of Pta21.8bn not as deep as expected

By David White in Madrid

Banco Español de Crédito (Banesto), the Spanish bank which came under the spotlight in April in the final phase of a reorganisation, reported a lower-than-expected loss of Pta21.8bn (\$168m) in the first half of the year and said that it would almost break even for the year.

Initial figures at the time of the auction said that the bank was losing Pta55bn a year, indicating a first-half loss of around Pta27bn.

Banesto said it was no comparable figure for the same period of 1993. Following the Bank of Spain's intervention

and a revision of Banesto's 1993 results for the whole year were put at Pta57bn.

The bank said the half-year performance reflected improved management following the intervention rather than the impact of financial support for the bank, which would be more evident in results for the second half of the year.

The package involved a Pta180bn capital injection, the purchase of Pta100bn of non-performing assets by the Deposit Guarantee Fund, and a Pta315bn loan to current customers.

The bank said it had recovered 100% of the customer

deposits during the first half of the year and July deposits were up by Pta150bn a month.

The half-year figures, showing an operating margin of 1.5% for the parent bank, are the first evidence of the impact of the chairmanship of Mr Alfredo Sáenz, who was appointed by the Bank of Spain and kept in place by the new controlling shareholder.

"Between May and August a series of management measures have been put in place which have contributed positively to improving the results," the bank said. More detailed figures are expected at the bank's annual meeting on August 22.

Shares slip as Novo Nordisk disappoints

By Christopher Brown-Humes in Stockholm

Shares in Novo Nordisk slid 7 per cent yesterday after the Danish pharmaceuticals and industrial enzymes group disclosed lower first-half profits and a reduced forecast for the full year.

The group blamed the costs of merging two US companies and unrealised bond losses for the 7 per cent fall in pre-tax profits to Dkr734m (\$17.7m) from Dkr770m.

It said falling bond prices meant it no longer expected profits to increase at a relatively faster pace than last year, when the pre-tax result climbed 11 per cent to Dkr814m.

This year's increase was "slightly lower" than last year, it said. The group's shares fell 10 per cent in heavy turnover.

Novo said that its marketing businesses had performed in line with expectations, with sales climbing 15 per cent to Dkr6.58bn due to larger volumes, an improved product mix and currency factors.

But sales from more than sales - climbing 18 per cent to Dkr6.07bn - due to efforts to build up the company's international production and sales organisation.

The results were also hit by a Dkr80m provision for the planned merger of two US companies in 1995 as well as a Dkr70m unrealised loss on the group's bond portfolio. The US provision relates to relocation and severance costs and property write-downs.

Profitable sales climbed 15 per cent to Dkr4.37bn. Diabetes sales accounted for 40 per cent of the total, a 10 per cent rise helped by an improved product mix. Enzymes sales climbed 14 per cent to Dkr1.77bn while ferrous sales were 33 per cent higher at Dkr310m.

Novo income fell to Dkr550m from Dkr685m, while earnings per share fell to Dkr14.66 from Dkr15.87. Second half sales are expected to be higher than in the first half.

Cathay Pacific ahead at HK\$803m

By Louise Lucas in Hong Kong

Cathay Pacific Airways, the Hong Kong-based international airline, yesterday reported first-half earnings of HK\$803m (\$104m), up 18 per cent from the HK\$681m reported in the same period last year. However, the dividend is being held at 10.5 per cent.

The results, which come after a 23.5 per cent drop in profits in calendar 1993 and a flat 1.5 per cent growth in 1992, were lower than the market had been expecting and reflected continuing difficulties in the airline industry, Mr Peter Sutch, chairman, said.

Cathay Pacific is tackling

these areas by increasing its focus on customer needs and identifying means of improving productivity.

Earlier this week pilots agreed to sign new contracts increasing their working hours, and senior and middle management structures have been streamlined. Staff numbers overall have swollen by 1,000 people year-on-year.

Earnings per share were in line with overall profits, to HK\$0.80 for the interim, compared with HK\$0.65 in the same period last year.

Revenues on passengers and excess baggage rose 12.5 per cent in the first half of this

year compared with the period last year, although yields slipped 1.9 per cent.

The number of passengers carried increased 1.9 per cent to 4.5m.

Analysts said May and April yielded disappointingly low traffic, especially in the light of a big jump in Japanese arrivals to the colony.

Net finance charges increased by HK\$10m year-on-year; however, the drop in interest earnings from aged funds more than offset the decrease in interest charges.

Mr Sutch said the group traditionally enjoyed a better second half, and expected this to remain true for 1994.

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Sharp half-year rise at GKN

By Bernard Gray in London

Profits at GKN, the UK automotive components and defence engineering group, rose by 82 per cent to £27m (\$43m) in the first half of 1994, compared with the first half of the previous year. The rise came in spite of a smaller increase in turnover, which was up by only 9 per cent to £1.516bn from £1.387bn.

Much of the improvement came as a result of a continuing programme of cost-cutting and an upturn in several of the group's businesses. The rise in profits was more notable if the impact of the recently-acquired Westland was excluded. Without Westland operating profits were up by 20 per cent while turnover was up by only 11 per cent.

Margins improved in the automotive components business as well as cut in manufacturing plants in Germany and the UK, and the continental European car market moved to recover in the second quarter of the year.

David Lees, GKN chairman, said that the French car market was particularly strong in the impact of government aid measures for new car purchases were through.

He added that the recovery in the UK and US car markets continues, while the important German market is still depressed. Overall, the company expects western European car production to grow by 10 per cent this year.

The company continues to

cut costs and spent a further £10m on redundancy and restructuring in the first half of the year, although it expects a lower figure in the second half of the year.

Production of the company's Warrior military vehicle fell as a contract for the British Army neared completion. It should, however, pick up again towards the end of the year as the company's Warrior for the Ministry of Defence division, which includes defence, was up by 29 per cent to £82m from £64m.

Earnings per share rose by 73 per cent to 16.6p from 9.6p and the interim dividend was maintained at 8p. The shares closed 6p higher at 67p.

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Watchdog halts trading in BPA

By Peter Wise in Lisbon

Portugal's securities exchange commission (CMVM) yesterday suspended shares in Banco Português do Atlântico amid heavy buying attributed to core shareholders defending the bank from a hostile bid by Comercial Português.

A group of 13 Portuguese companies, BPA's core shareholders, had gained 100 per cent

bought up 100m shares over the past few days, increasing their stake from 27.4 per cent to more than 100 per cent.

BPA, Portugal's fifth largest bank, is offering £132bn (\$201m) for a controlling stake of 40 per cent of BPA, the country's second biggest.

BPA shares were quoted at £2.650 before the CMVM suspended trading indefinitely. They had gained 100 per cent

since BCP announced its cash offer of £3,000 a share on July 28. Dealers said the main sellers were investment funds and small shareholders.

The executive board of BPA, on which the main shareholders are represented, has formally rejected BCP's offer.

The CMVM did not specify its reasons for suspending BPA shares but dealers said the move had been expected.

Investigation into share dealing at Fust

By Ian Rodger in Zurich

A preliminary inquiry has been launched into suspicions of insider trading in the shares of Fust, a Swiss manufacturer of appliances retailer part-acquired by Granda Magna. Jelmini, a leading department store group, in a controversial deal announced last Friday.

Shares in Fust soared to SF340 last Thursday from SF280 a week earlier, prompting Jelmini to bring forward the announcement of its bid by about a week and to be seeking for an investigation.

The Zurich prosecutor's office announced yesterday that it had started a preliminary investigation into alleged insider trading in the shares of Fust.

knowledge of the impending bid was buying.

Insider trading became a criminal offence in Switzerland in 1988 but so far no one has been successfully prosecuted on an insider charge.

Meanwhile, a row continues to simmer over the terms of the deal because Jelmini has paid a higher price to the controlling Fust family for their shares than it is offering to minority shareholders.

Jelmini, in which UTC International of Basel has a 50.01 per cent voting stake, has acquired 34 per cent of the capital and 51 per cent of the voting rights in Fust from the controlling Fust family for SF141.5m (\$107.1m) in shares and cash.

The purchase was based on an average market price of SF280 for the group's shares in February and May this year.

Jelmini said that in accordance to minority shareholder protection provisions in a new stock exchange law coming into force next year it would make an offer to buy shares from other Fust shareholders, but only at SF290 per share.

Mr Peter Leumann, finance director of Jelmini, said that Mr Walter Fust, chief executive of Fust, had not wanted any offer to be made to minority shareholders because he was afraid so many shares might be turned in that the company could no longer be publicly traded.

Both Jelmini and Fust are recommending that minority shareholders hang on to their shares. Mr Leumann said Fust profits were set to rise rapidly and shareholders should be very wary.

He said that the groups' financial advisers argued strongly for an offer in minority shareholders. In the end, it was equivalent to the minimum provided in the new stock exchange law, but it is the market price for the shares.

The bearer shares were valued at SF390 on July 28, the day the deal was concluded. Mr Leumann said that was purely a coincidence. The price was affected because it was the average market price between May and July.

Cuts in bills promised to UK electricity users

By Michael Smith in London

Professor Stephen Littlechild, UK electricity industry regulator, will promise electricity users in England and Wales savings of £120m (\$180m) over the next five years as he unveils price controls which seem likely to disappoint consumer organisations.

The controls will cut allowed revenue in the 12 regional electricity companies' distribution businesses by between 11 and 17 per cent in the year from next April and will restrict price rises to 1 per cent below the rate of inflation in

each of the following years.

If accepted by the companies, the controls could cut electricity prices by at least 3 per cent from next April, with further, but smaller, reductions possible in future years.

Distribution charges make up about a quarter of the typical electricity bill.

The controls represent a significant tightening of rules which have been in place since the industry's privatisation four years ago and have allowed the regional companies to increase distribution revenues by up to 2.5 per cent each year.

Leaked letters from Prof Littlechild's office to the companies earlier this year prompted analysts to suggest that allowed revenues could be cut by as much as 30 per cent next April with rises in subsequent years restricted to inflation minus 4 per cent.

In his report, to be released early this morning, Prof Littlechild stresses that the tightening of the controls will lead to the average domestic customer making savings of about £70 to £100 over the five-year period.

Prof Littlechild also says that the companies

allowed revenue will fall by 17 per cent in the first year on the equivalent of an inflation rate of 7.5 per cent formula over each year of the five-year period.

The companies, suffering an initial 14 per cent cut in allowed revenue, are on the annual equivalent of inflation minus 8.5 per cent, and then suffering 11 per cent cuts on the equivalent of inflation minus 5.5 per cent.

Any companies which reject the regulator's conclusions will have the opportunity to challenge him at the Monopolies and Mergers Commission.

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مكتبة الامم

INTERNATIONAL COMPANIES AND FINANCE

SEC urged to widen rules on 'soft-dollar' disclosure

By Patrick Harverson
in New York

Two prominent US legislators called on the Securities and Exchange Commission yesterday to introduce new rules requiring investment managers to disclose more information about their so-called "soft-dollar" arrangements with securities brokers and dealers.

In a letter to Mr. Arthur Levitt, the SEC's chairman, Mr. Edward Markey, chairman of the House of Representatives' telecommunications and finance subcommittee, and Mr. Jack Fields, senior Republican on the subcommittee, urged the SEC to "give high priority to enhancing disclosure" in the soft-dollar industry.

They said the business conflicts of interest questions about investment managers' activities, and potentially interfered with the execution of customer orders on financial markets.

Soft dollars, known in the UK as "soft commissions", is the term given to the practice of institutional investors channeling a portion of their securities trading business through particular brokers in return for such as the provision of brokerage research or electronic data products, or for discounts on other services.

The value of commissions with such strings attached is estimated to exceed \$1bn a year in the US.

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The SEC is expected to issue its new rules for mutual funds today, but there was no indication yesterday that the agency would broaden the edict on soft dollars.

The legislator's concerns, however, are likely to be met sympathetically at the SEC. Mr. Levitt has expressed his dissatisfaction with the soft dollar business on several occasions.

O&Y's US creditors in foreclosure proceedings

By Brownson Maddox
in New York

Creditors of the US arm of Olympia & York, the failed Canadian property group, said they no longer intend to pay O&Y \$2.5bn under the terms of a deal struck in March.

The official committee of the creditors, who hold \$200m in bonds secured by a property in lower Manhattan, added they would begin foreclosure proceedings this week to gain ownership of the building.

The move was prompted by "Olympia & York's unwillingness or inability to address in a timely manner major substantive issues" of its reorganisation, the committee said.

In March, the holders of mortgage notes secured by the property, 58 Maiden Lane, agreed to pay O&Y \$3.5m in return for an agreement to transfer ownership.

The deal was seen as quietening a combative group of creditors at a time when the group was struggling to restructure \$5m of debt.

The creditors say they are taking a "non-consensual approach" to securing ownership. They plan to file a foreclosure complaint, the first step of proceedings, with the Supreme Court of New York state later this week.

NationsBank of Tennessee, the trustee for the mortgage notes, which will pursue foreclosure proceedings under the committee's direction, will distribute \$7m to note-holders on August 23 from excess cash-flow generated by the building, the committee said.

Armedco, the US steel group, is selling its on-going insurance operations to Vik Brothers Insurance, a privately held, property and casualty insurance holding company, AP-DJ reports.

The transaction is valued at about \$65m.

Armedco recorded a \$45m charge against 1993 fourth-quarter earnings in connection with the proposed sale.

An Internet for business users

IBM sees global networking as the new trend in IT, writes Louise Kehoe

International Business Machines Corp. has put global networking in the limelight. The computer company is setting up business units for networking services and applications, signalling its intention to leapfrog competitors in what it believes is a new trend in information technology.

"Network-centric computing will be the next big thing in information technology," says Mr. Cannavino, IBM senior vice-president of strategy and development.

IBM's previous shift from traditional mainframe processing to desktop computing in the 1980s and later to client-server computing, the trend in network-centric computing, is now being accelerated by the need to share information across the company.

It sees this change as an opportunity to reassert its competitiveness, and is moving quickly to avoid a repetition of its failure to keep pace with market trends such as the shift in client-server computing.

The "IBM Global Network" unit will pull together the services of IBM's networking services group around the world. The new group will be a virtual voice and data network.

IBM already provides data network services in about 700 large cities around the world.

Time networks are being linked to provide worldwide communications capabilities. IBM sees its networks as a platform for a broad range of services.

Today, most information processing applications are based on a company's computers - word-processing on desktop computers or payroll processing on a mainframe computer, for example. Increasingly, however, networks provide generic services such as electronic mail and Mr. Cannavino maintains that more sophisticated and customised applications will be provided via networks.

"The computing environment of the future is one where networks will do much more than transport information. It is the world of applications and services that are needed in high-speed voice and data networks. In IBM's vision of network-centric computing, users have access to information anytime, anywhere, in the form that they want."

For example, "intelligent agents" will be a boon for data computer users and network users. These are programs which can search for information on databases linked to a network and automatically send and deliver such information to pre-arranged computer applications.

In the workplace, intelligent agents might perform different kinds of tasks. They will enable you to follow up on things that you don't have time to do yourself," says Mr. Cannavino. With such applications "you can create very powerful new mechanisms for increasing business and personal productivity."

IBM's recently formed Network Applications Services division will create applications such as directory services, electronic marketing, trading and shopping for networks. In addition, IBM's new virtual market group will develop network applications for specific industries.

In the public domain, the Internet demonstrated the value and popularity of global computer links, with millions of computer users subscribing to services providing Internet connections.

The IBM Global Network will become the "person's Internet", says IBM. It may it will provide ubiquitous access like the Internet without the shortcomings, such as lack of security.

But IBM is not alone in seeing the potential of high-speed multimedia networks and is likely to face competition from telecoms and cable TV companies as well as traditional rivals.

Mr. Cannavino stresses that the telecoms and computer industries appear to be on a collision course as each moves into the other's traditional territory. He maintains, however, that IBM approaches this with a benefit of experience in data processing.

Moreover, unlike telephone companies IBM does not aim to build a vast physical network infrastructure.

Instead, IBM will focus on providing information services via its own and other networks. "Are we itching for a fight with AT&T? No, but we are going to run away either," says Mr. Cannavino.



Cannavino: networks will do more than carry information

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Downturn at Federated Stores

By Richard Tomkins
in New York

Federated Department Stores, the US retailer that last month succeeded in winning the rival R.H. Macy's agreement to a merger, suffered a sharp downturn in profits in its second quarter to July.

The company blamed costs associated with the integration of 10 Joseph Horne stores acquired during the period.

Net profits fell to \$3.8m from \$8.9m, but Federated said that without the one-time costs relating to the Horne acquisition, they would have more than doubled to \$19.9m.

Turnover increased by 6 per cent to \$1.6bn, while increased efficiency helped the group lower operating expenses to 33.5 per cent of sales from 38 per cent.

Earnings per share fell to 3 cents from 7 cents, but would have risen to 16 cents without the one-time costs.

Federated's Department Stores' income for the first six months was \$50m with the one-time costs and \$52.1m without them. The comparable figure was \$30.6m before an extraordinary item.

R.H. Macy is in Chapter 11 bankruptcy protection but last month Federated reached agreement with Macy and its creditors on a \$4.1bn reorganisation plan that would bring Macy's store chains under Federated's ownership.

Yesterday Mr. Alan Questrom, Federated's chairman and CEO, said he expected the reorganisation and merger to be completed by the end of the fourth quarter.

Mr. Questrom added that the existing operations would seek to improve profitability further in the second half by keeping costs under control while focusing on an acceleration in store-for-store sales growth in the 3 to 4 per cent range.

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Confederation Life to sell UK arm

By Soheerzade Daneshkhu

Confederation Life, Canada's fifth largest insurer, is to sell off its entire UK operation.

The financially troubled insurer said talks were under way with a "financial services company of significant financial strength", for the sale of Confederation UK Holdings, which made pre-tax profits in 1993 of \$27.9m (US\$43.24m) against \$14.3m in 1992.

Premium income last year was \$689m, compared with \$715m.

Mr. Alec Wright, communications manager for the UK operation, said the sale would be used to restore the parent company's capital base which had suffered as a result of falls in property values since the late 1980s.

Confederation's UK arm, which began trading in 1906, is one of the leading providers of pooled pension products for medium-sized companies.

The mixed pooled fund is the second largest in the UK with assets of \$2.5bn and the investment management division has \$5.4bn of assets under management.

The sale of the UK arm would involve a number of unit-linked individual insurance contracts, including standard life and savings products.

The announcement follows year-long talks with Great-West Life Assurance, which is controlled by Montreal-based Power Corporation, about a capital injection and the disposal of part or all of the UK operation.

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Armedco sells off insurance operations

Armedco, the US steel group, is selling its on-going insurance operations to Vik Brothers Insurance, a privately held, property and casualty insurance holding company, AP-DJ reports.

The transaction is valued at about \$65m.

Armedco recorded a \$45m charge against 1993 fourth-quarter earnings in connection with the proposed sale.

Armedco recorded a \$45m charge against

WPP meets City expectations

By Diane Summers,
Marketing Correspondent

WPP, the marketing services company, yesterday reported pre-tax profits of £38.2m for the half year to June 30 - up 50 per cent and in line with expectations - and put the flotation of part of its market research business onto the back burner.

In March WPP said the flotation, intended to help cut debt, was likely this year and would yield up to £300m (£130m). The group had been saying more recently that adverse market conditions meant that the timing was being kept under review.

Yesterday the board said it was continuing to consider various forms of financing and ways of strengthening the capital structure, but "the improvement in profitability and cashflow and the achievement

of the group's financial objectives so far this year has lessened the need to examine these alternatives."

Revenue fell by 1.3 per cent to £680.5m (£689.7m), mainly because of disposals. However, on a like-for-like and constant currency basis, revenues rose by more than 4 per cent. Operating margins improved from 6.1 per cent to 7.3 per cent.

Mr Martin Sorrell, chief executive, said that the group was ahead of the group's financial objectives, but still below the benchmark of 10 to 11 per cent achieved by WPP's best-performing competitors.

Fully-diluted earnings per share rose to 2.6p (1.7p). An interim dividend of 0.35p (0.35p) is declared.

A statement on future prospects was cautious: the group said May and June had been the best two consecutive months

for two-and-a-half years, but overall the first six months had been "patchy and inconsistent". The uncertain pattern of activity "may reflect tax increases on both sides of the Atlantic and continued concern about job security among consumers and management". Plans, budgets and forecasts of revenues were being made on a "conservative basis".

Net debt averaged £280m in the first half down 25 per cent from £372m. The group benefited from a £50m rights issue in March 1993.

The beginning of next month will see the banks, which bailed WPP out two years ago in a £371.5m debt-for-equity swap, free to sell their 190m shares, which represent 26.5 per cent of the enlarged share capital.

See Lex

Slimmer TDG advances to £17m

By Simon Davies

Transport Development Group made pre-tax profits of £17m for the six months to end-June, compared with £3.5m in 1993, but exceptional items masked sharply reduced profits from the core distribution division.

Profit margins from UK distribution almost halved to 4.4 per cent because of increasing competition, the loss of some profitable contracts and the non-recurrence of strong profits from its French drinks distribution arm.

Turnover fell 9 per cent from £155.5m to £140.5m, mainly because of a decline in continuing operations was only 5.4 per cent. Operating profit was only marginally lower at £15.7m (£15.9m).

The results were distorted by

the impact of business disposals and closures during both years, as TDG restructured in the wake of an increasingly harsh operating environment.

The company made a £1.5m exceptional profit in the UK, Australia and France, compared with a £1.2m loss in 1993.

TDG has completed its disposal programme with £29m of this reported in the half, which was £250,000.

It has reduced gearing to 0.5 per cent, and is now looking for acquisition opportunities. A further £12m of disposals will be recorded in the second half.

The distribution division is putting emphasis on the "semi-industrial market,

where it has won significant new business. The company plans to invest £17.5m this year to support this organic growth.

The hire division has performed more profitably, being an earlier beneficiary of economic recovery. The group invested £8.5m in the first half and plans to invest a similar amount in the second.

The transport division has been the focus of disposals of loss-making operations, and it saw a resultant turnaround. However, storage declined, because of the reduction of some of the European Commission's food mountains.

Overall, the management said it was confident that its spread of businesses "gives us a sound and broad base from which to move ahead steadily."

TDG is paying an unchanged interim dividend of 3p, payable from earnings per share of 7.82p (1.66p losses).

COMMENT

For what was considered a bellweather stock, TDG is having problems matching the economic recovery. Its hire division has benefited from increased industrial activity, but distribution remains bogged down by competition. The second half will remain tough, and profits of about £24m are expected, putting the shares on a p/e of 14.7. As gearing falls to zero, thoughts are turning towards acquisitions, and investors would be wise to see what management comes up with before backing a recovery, which still appears some way hence.

C&G to reveal new plans to share £1.8bn bid cash

By Alison Smith

A revised scheme for sharing out the £1.8bn cash offered by Lloyd Bank for Cheltenham & Gloucester Building Society will be announced today.

The agreed bid suffered a setback in June when the original scheme was found by the High Court to be unlawful. The Building Societies Commission, the sector's statutory regulator, had argued that it contravened the 1986 Building Societies Act. C&G, the UK's sixth-largest society, had planned to split the £1.8bn among its 1.4m borrowing and investing members, with most receiving a minimum of £500 and a maximum of £10,000 per investment account.

The Act does not allow cash payments to investing mem-

bers of less than two years' standing as a way of trying to prevent speculative flows of money between societies on takeover rumours.

Since C&G said last month that it did not intend to appeal against the judgment, attention has focused on the setting of a new date at which the two-year period starts, the most likely way of making the scheme lawful while still attractive to members.

Borrowers are unlikely to receive payments under the new scheme. The Commission is expected today to say only that it will consider the new scheme, but that it does not intend to challenge it in court.

Signet frees itself of Salisburys in £3m deal

By Neil Buckley

Signet, the jewellery group formerly known as Ratners, is selling its leaseholding Salisburys luggage and handbag chain for £3.18m to Mr Stephen Hinchcliffe, former chairman of James Wilkes and Lynx Holdings.

Signet is receiving £2.75m immediately in cash and £430,000 later relating to inter-company debt.

The jewellery group made a £97.1m provision in its full-year results in May to cover the proposed disposal of the 174-store chain, including a £10.8m write-down of the value of its stores.

Mr James McAdam, Signet chairman, said that despite the £10.8m write-down, Salisburys had incurred a

£5.3m loss on sales of £54.4m. Signet will keep an interest in a warehouse in Crawley, West Sussex, which will require a provision of up to £1.5m to cover carrying and disposal costs.

Mr Hinchcliffe is funding the purchase himself and has formed a new company, Salisburys Stores, to run the outlets.

"We can return to profits a lot faster than people imagine," he said. "There is nothing wrong with the fabric of the business".

Mr Hinchcliffe has successfully restored a retailing business to profitability before. In 1987 he joined a management buy-out at Wades department stores from Associated Dairies, and later sold the company to Waring & Gillow.

Upton may take legal action over Reject buy

By Chris Tighe and Norma Cohen

Upton, the Southern, the department store group, yesterday said it was considering legal action to block the proposed buy of Reject Shop by its financial advisers.

Upton said on Tuesday that the financial and trading position of Reject Shop, the household goods retailer it bought in February, was materially worse than represented at the time of the deal. That news sent Upton's shares plunging by 12p to 14p, and they fell a further 2p yesterday.

Upton is contesting the valuation of Reject Shop's inventory at the time of the acquisition. It said yesterday that about one third of the expected stock was found not to be there. "We expected the cupboard to be fairly empty but not bare," it said.

Upton's lawyers, Nabarro Nathanson, and auditors Coopers & Lybrand, are studying a report by Mr Ian Stevens, its finance director, to decide whether to institute proceedings against "certain former directors" of Reject Shop.

The company is also considering action against the Reject Shop's accountants Stoy Hayward and stockbrokers Smith New Court Smith New Court had no comment yesterday.

Mr Jeffrey Gould, Upton's chief executive, declined to disclose how due diligence was conducted before the deal or how the problem had arisen. "Once you get involved in the company and you understand it a lot more, these things become more apparent to you, rather than on the outside."

Upton said part of the difficulty lay in the need for confidentiality in quoted company deals. In order to avoid market rumours information from the other side had to be accepted. "You're dealing with public companies, both should be ethical and give true valuation."

Mr Gould said he did not regret the purchase. The former Reject Shop stores still represented "an opportunity", but the less than expected value of their stock had set back his turnaround plans by six to seven months.

Upton bought Reject Shop in a £2.5m all-paper deal in March. This week it said a cash shortage of about £2.75m had resulted from the worse than anticipated financial and trading position.

SCI given go-ahead in Great Southern battle

By Simon Davies

Service Corporation International was yesterday assured of winning the UK funeral company, when the Takeover Panel refused an attempt to block its revised offer of 75p per share.

Loewen, the Canadian funeral group, was trying to prevent SCI from raising its bid to 75p per share. SCI made a "final" 69p offer which allowed this to be raised in the event of competition.

The Panel said the omission by SCI's advisers, led by Schroders, of a "genuine mistake, however

regrettable that might be". Given exceptional circumstances, the Panel judged that SCI should be allowed dispensation of the rules. Loewen has refused the right to appeal the decision.

The decision drew some criticism for setting a precedent whereby a financial adviser could benefit from a mistake through special pleading. However, SCI agreed to recompense all shareholders who sold shares under the misconception that the offer could not be increased. This made it awkward for the Panel to block an offer so clearly in the interests of all shareholders.

The decision will be a relief to Schroders, merchant bank, which might have faced action from SCI had the bid failed due to the mistake.

Loewen had offered 69p per share, higher than SCI's earlier bid. The Loewen bid had a clause requiring 90 per cent approval for their offer - an impossibility given SCI's 29.8 per cent holding - but they gave up the bid, saying that this would be reduced.

The clock will be given irrevocable on behalf of SCI's 29.8 per cent holding of Great Southern's ordinary shares, the US largest funeral company will now become the third largest UK funeral business.

Union reverses to £0.79m deficit

By Norma Cohen, Investments Correspondent

Union, the City financial house, yesterday recorded pre-tax losses of £793,000 for the first six months of this year. The result reversed its return to profitability at the end of last year and after two unprofitable years.

In particular, Union suffered trading losses of nearly £2m on its holdings of long-term gilt-edged securities and its investment in the proprietary trading book.

"Having got it wrong for the best part of the first half of the year, we have decided that this is a business we should not be in, at least for the time being," said Mr Ian Martin, managing director.

He added that while all discount houses were in a similar state of affairs, Union's had been somewhat larger relative to its capital base.

However, those losses were partly by profits of more than £1m in the group's traditional money market operations and newly developed arbitrage activities, which will be expanded further.

"Although we anticipate a profitable second half, the overall performance of the group will continue to be influenced by the underlying volatility of the markets while Union remains in this period of transition," Mr Robin Herbert, chairman, said.

Union, which raised £11m in a 2-for-5 rights issue in March, said it planned to diversify into financial services.

The interim dividend is 1.5p via a 1.5p payment. The shares lost 8p to 129p.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Comes - pending dividend	Total for year	Total last year
Beech Hunter	7.15p	Oct 1	8.95	8.7	
City Merchants	2.5p	Oct 7	2		
Fleming Flowers	0.75p	Oct 26	2	1.05	
GKN	8p	Nov 2	8	20.5	
Hickson Ltd	2.55p	Nov 21	2.55	8	
London & Overseas	0.25p	Oct 7	2	2	
Metel Steel	4p	Oct 24	2.15	10	
Nichols (Winds)	2.25p	Oct 24	2.15	6.75	
Scholes	3p	Oct 27	3.4	1.7	5
StandardChart	2.25p	Nov 4	1.875	6	
Transport Dev	3p	Nov 4	3	9.5	
Union	1.5p	Oct 7	1.5	3	
Ward Holdings	0.5p	Oct 7	0.5	0.5	
Whitman Health	2.75p	Oct 30	0.5	4.5	0.5
WPP	0.35p	Nov 30	0.35	1	

Dividends shown per share net except where otherwise stated. *On increased capital. †Gross but net of Jersey tax. ‡Second interim; makes 4p so far. *US cents.

UES moves back into the black

By Andrew Baxter

UES Holdings, the Rotherham-based engineering group, yesterday reported a profit in the second quarter after its record £48.1m pre-tax loss for the full 1993.

For the first half, however, UES was still in the red, and Mr Don Ford, chairman, said returns were still "totally inadequate".

UES's share of a much reduced first-half net loss at UES was £1m, compared with £2m for the first half of 1993 and £2m for the whole of last year. British Steel owns the rest of the company.

External sales at UES rose slightly to about £300m. The trading profit was not available, but UES is trading in the black, and Mr Ford said that "by and large, we are on a better trend than at any time in the past two or three years".

Market conditions were improving and prices were continuing to rise slowly. Recent rationalisation and cost reduction was continuing to pay off.

Steel demand was quite strong, helped by better conditions in the automotive sector, which is a large user of engineering steel. UES is the dominant producer of engineering steels in the UK, and Mr Ford said its domestic market share had improved. Its foreign business had also done "quite well".

AMIC

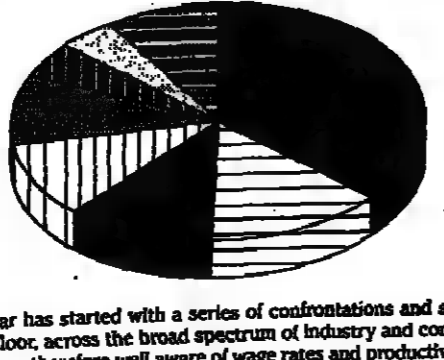
• Significant upturn in trading activities at all operations • Earnings per share up 100% in 1993

• Interim dividend up 20% to 132 cents per share • AECI results consolidated for first time

• Negotiations with the return of Ford as a shareholder in SAMCOR

R million	Six months ended 30.6.94	Three months ended 30.6.94	Three months ended 30.6.93
Turnover	7 641	1 551	437
Earnings from operations	436	155	209
Earnings from associated companies	92	80	77
Income from investments and interest	60	77	77
Earnings before taxation	468	247	647
Attributable earnings	278	159	436
Earnings per ordinary share - cents	434	172	739
Dividends per ordinary share - cents	132	110	375
Net asset value per share - cents	10 449	7 150	8 921

Earnings per share for the six months to 30 June 1994 showed an increase of 60 per cent.



- AMIC (1993-28.8%)
- Mondri (1993-10.9%)
- Tongaat Hlatshel (1993-14.4%)
- AECI 11.7% (1993-15.2%)
- Bourn 10.0% (1993-6.2%)
- Highveld 9.2% (1993-9.0%)
- Ventron Group 4.8% (1993-7.9%)
- LTA 4.3% (1993-4.0%)
- Other 8.8% (1993-7.6%)

PROSPECTS

The second half year has started with a series of confrontations and strikes, mostly pay related, motivated by Trades Unions and in some cases by the shop floor across the broad spectrum of industry and commerce. Most of AMIC's operations are heavily involved in exports to world markets and are therefore well aware of wage rates and productivity levels of workers in the main competitor countries. It is important that our country should become internationally competitive. In part this will require that increases in salaries and wages should be held in inflation or slightly above provided that there is an increase in productivity.

Dividend No. 61 of 132 cents per share has been declared payable on Friday, 14 October 1994 to shareholders registered at the close of business on Friday, 2 September 1994.

Registered Office: 44 Main Street, Johannesburg 2001 (PO Box 61587) 2107 South Africa

London Office: 19 Charterhouse Street, London EC1N 6QP

Johannesburg: 10 August 1994

Copies of the full interim report will be posted to shareholders on or about 17 August 1994 and will be available from the offices of Anglo American Corporation of South Africa Limited in Johannesburg and London.

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FT CONFERENCES

WORLD AEROSPACE AND AIR TRANSPORT

14 & 15 September 1994, London

This conference, which has the support of the Society of British Aerospace Companies, is the latest in the Financial Times' international series of high level aerospace meetings. It will focus on the challenges facing the industry in the next century, how it is restructuring for the future to achieve growth, together with the impact of government policy. Speakers include: Professor Herman De Groot, Conrail de Rans; Mr Robert L. Dryden, Boeing Commercial Airplane Group; Mr Robert A. Allen, British Airways; Mr Hans Albers, American Airlines; Mr Michael J. Smith, GM Hughes Aircraft; Mr John B. Bingham, Boeing; and Mr Eugene Boudry, Sikorsky Aircraft.

THE NUCLEAR INDUSTRY - INTO THE 21ST CENTURY?

18 & 19 September 1994, London

This high-level meeting will examine the outlook for nuclear power in North America and western Europe, considering the impact of current government policies and the role of nuclear in the future. The challenges of improving efficiency and safety at nuclear plants in eastern Europe and issues related to managing the fuel cycle will also be addressed. Speakers will include: Remy Carle, EDF; The Honourable John Reid, Canadian Nuclear Association; Dr Thomas B. Cochran, Natural Resources Defense Council, USA; Dr Yih-Yun Hsu, Atomic Energy Council, Taiwan; Michael Folger, United Kingdom Nirex Limited; Professor Jurgis Vaisnys, Lithuanian Energy Institute; Thierry Baudou, EBRD; John Guinness CB, British Nuclear Fuels; Mr Jean-Pierre Rougeau, COGEMA and Dr Rachel Western, Friends of the Earth.

RETAILING TOWARDS 2000 - VISION AND EFFICIENCY

London, 21 & 22 September 1994

This year's meeting will focus on the need for the retail industry to exploit fully the opportunities that new markets and new technologies offer while, at the same time, dealing with the fundamental business challenges - maximising profitability; controlling costs; managing the property portfolio and 'busting'. Winning retail formats will be those that successfully combine vision with efficiency. Speakers at the conference, arranged jointly with Coopers & Lybrand, include: Toh Ban Lian, Emporium 11; Singapore Ltd; George Beeson, Marks & Spencer; John Walker, Marks & Spencer; Mark Luby, The Debenhams Group; Robert Miller, Gellishaw & Co Ltd and James May, British Retail Consortium.

INTERNATIONAL BANKING

London, 29 & 30 September 1994

This major forum, immediately prior to the annual meetings of the IMF and World Bank, will debate the outlook for banking in the mid-1990s and address a wide range of issues of current concern to the international financial community. Speakers taking part include: Emilio Bettinotti, Banca d'Italia; Dr Herbert A. Alexander of Western OC, National Westminster Bank plc; Dr H. Onno Ruding, Citicorp; Richard J. Boyle, Chase Manhattan Bank NA; Dr Josef Ackermann, Credit Suisse; Egidio Giuseppe Bruno, Credito Italiano and Eugene J. Ludwig, Comptroller of the Currency, USA.

INTERNATIONAL INFRASTRUCTURE FINANCE - BUILD-OPERATE-TRANSFER (BOT)

London, 4 & 5 October 1994

This major Financial Times conference will focus on build-operate-transfer (BOT) opportunities in high growth markets, to include Eastern Europe, South Africa and the Middle East. The challenge of financing and managing BOT contracts will be highlighted in recent case studies of major projects in the power, telecommunications and environmental infrastructure sectors. Speakers include: Sir Alistair Morton, Eurocontrol; Thierry Baudou, EBRD; Dr Jacques Rogozinski, Banobres, India; Sri. The World Bank; John Hollister II, Morgan Stanley & Co Limited; Michael Heath, Nynex Network Systems Company; George Kappaz, KMR Power Corporation; Mr Christopher Nash, Northwest Water International Ltd; Mr Malcolm Stephens CB, The Berne Union.

WORLD MOBILE COMMUNICATIONS

London, 17 & 18 October 1994

The Financial Times '94 conference will focus on the growth of mobile communications, the various technologies being adopted and new operator strategies. Speakers include: Dr Herbert Ungar from the EEC; Lord Commissioner, Mr Charles Wigdore, Managing Director of The Peoples Phone Company; Dr Joachim Dreyer, Chairman of Debitel Kommunikationstechnik; Mr Barry A. Kaplan, Vice President of Goldman Sachs & Co; Mr Tomas Julin, Managing Director of Unisource Mobile; and Mr Jan Neale, President & Chief Executive Officer of AirTouch International.

INDIA'S ECONOMIC RENAISSANCE

Delhi, 26 & 27 October 1994

Given the breadth and pace of economic reform in India since 1991, this high-level FT forum will provide a unique opportunity to review the government's liberalisation programme and assess business and investment prospects. The meeting will also consider India's competitiveness in world markets and look at the challenges of improving the country's infrastructure.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3851, London SW12 8PH, UK. Telephone: 071 235 500. Fax: 071-673 1335.

Soap wars may affect Hickson

By Tim Burt

Hickson International, the specialty chemicals group, yesterday warned it could be dragged into the "soap war" between Unilever and Procter & Gamble.

The group said the controversy had "reduced the upside potential" of PharmaChem, its detergent and chemicals subsidiary that supplies the manganese bleach used in Unilever's new soap powder.

Procter & Gamble has mounted a high-profile campaign against the so-called "accelerator", claiming it leaves some clothes holed and faded.

While admitting a possible short-term impact on PharmaChem, Sir Gordon Jones, Hickson's chairman, said: "It is not yet possible to evaluate the extent to which this will constrain profit recovery in 1995."

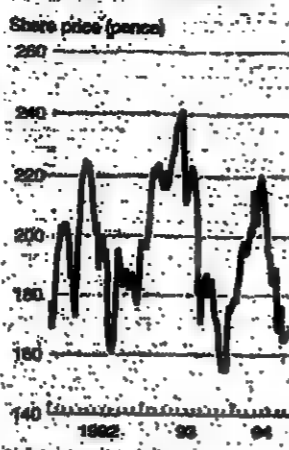
The group has a contract to supply Lever Brothers, the UK detergent subsidiary of Unilever, until mid-1995. But analysts warned that the row could hit orders.

Lever Brothers, however, said the ingredient would be used in its restyled Surf and Radion brands, although no mention of the accelerator would be made in adverts.

Shares in Hickson, meanwhile, fell 9p to 168p yesterday as the group announced pre-tax profits in the six months to June 30 virtually unchanged at £12.1m on turnover ahead 5 per cent at £206.6m (£198.5m).

Profits at performance products, a core division which manufactures agrochemicals, sulphur-based products and personal care ingredients, fell 20 per cent to £4.7m despite increased sales of £76.3m (£68m). The decline was due largely to difficulties at Kerley, the division's US subsidiary, which was hit by low sulphur prices and overcapacity. Pricing pressure in North

Hickson International



America also affected the protection and coatings business. It reported operating profits of £8.5m (£7.5m) on sales of £81.8m (£82.1m).

Group operating profits, however, fell 9p to £12.1m following an improved performance at Fine Chemicals, including a full-year contribution from PharmaChem. It helped lift divisional profits to £7.5m (£5.9m).

Earnings per share rose to 5.6p (4.8p) and the interim dividend is maintained at 2.85p.

COMMENT

Hickson has prepared for the possibility of Unilever pulling the plug on its accelerator product. Its PharmaChem plant can be used for other products, and the group has devoted increased resources to improving coatings sales in Europe and reducing its overcapacity at Kerley. Better divisional management and reduced operating costs are also expected to help full-year profits reach £23m. On a forward multiple of 18 the shares look demanding enough given the uncertainty over PharmaChem.

Unlikely asset in search for income growth

John Gapper explains how banks' finance houses are assuming a new role, helped by structural shifts

When Midland Bank's 3m credit card customers were told last month that they could lease a car for up to two years, and either return it at the end of the period or buy it for an extra fee, they were being offered more than a finance deal. It was a token of a significant change within their bank.

Although the offer was made by Midland, it was structured by Forward Trust, the bank's finance house. It was the latest example of a Cinderella sector within banks assuming a new role. The results of such initiatives will be shown next Monday when Midland announces its half-year results.

Forward Trust is expected to follow the lead of other bank subsidiaries which offer leasing and structured finance for personal customers and small businesses to show healthy growth in profits and assets. As banks complain of poor demand for other forms of loans, finance houses are growing in importance.

Lombard North Central, Midland's finance house, closed a 59 per cent rise in pre-tax profit to £11.1m for the first half. This came after UDT, the motor finance house of TSB Group, reported that a 32 per cent growth in new business had helped to double interim pre-tax profits.

Such figures mark a turnaround for operations which caused headaches at the turn of the decade. Lombard's profits on an 82m book fell to just £2m in 1991. The finance houses have not only recovered from past problems, but now appear a valuable asset in

banks' search for income growth.

The problems of the finance houses at the turn of the decade were due to three factors.

First, broad-based finance houses in a range of operations, such as Lombard and Forward Trust, were heavily exposed to the froth of the last boom. They financed office equipment and plant leasing for smaller companies in the south-east. This meant that debt rose sharply in the recession.

Second, finance houses tended to boost profits by minimising assets and liabilities, using short-term variable rate money to fund long-term fixed rate assets. Interest rate rises in the late 1980s "taught them they had to be a lot more careful," says Mr Graham Picken, Forward Trust chief executive.

Third, the finance houses tended to be poorly-managed and focused businesses, which grew rapidly in the mid-1980s and allowed costs to escalate. Lombard has cut its staff from 5,800 to 4,000, in a restructuring that split its business into three operating sectors.

Not all finance houses survived such travails. Mercantile Credit, Barclays' former finance house, was split in 1986 and the vehicle finance personal sector arms were sold to GE Capital.

A combination of asset repricing, cost-cutting and more cautious treasury policy has since enabled the survivors to rebuild on a sounder footing.

"There was some re-grouping, which meant that competitive pressures lessened somewhat," says Mr Brian Carte, chief executive of Lombard.

This should logically be a boon in the cycle for finance houses, since they usually gain from small and medium-sized companies re-tooling for expansion. "Naturally, as the economy comes out of recession, we are involved in forms of finance that go along with asset acquisition," says Mr Carte.

This effect can be seen clearly in motor finance, where the pent-up demand is resulting in higher lease rates. Finance houses which have partnerships with big motor manufacturers are well placed to benefit.

"When the economy picks up, the car market is the first to grow," says Mr John Davies, managing director of UDT.

Yet the finance houses' success cannot simply be ascribed to a cyclical turn. Companies have been cautious about investing in new equipment, and industry figures show only modest growth in business finance and leasing. Those involved say they are still struggling to sell products.

Mr John Callender, managing director of Barclays Mercantile, the bank's leasing arm, says companies are still cautious about taking on leases. "Demand is flatish across the board, and companies are still talking about demanding higher returns before they can invest," he says.

However, finance houses appear to be gaining from some structural shifts. One is manufacturers' use of point-of-sale finance. Customers have been offered low and zero interest finance, where a finance house provides a loan, and the manufacturer pays

the interest subsidy.

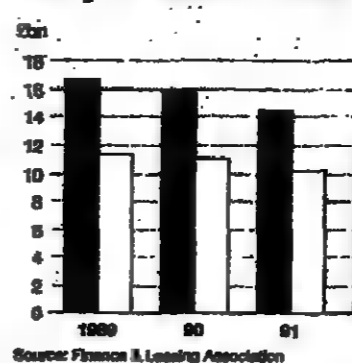
Finance houses have started to build on this in the vehicle sector by devising structured deals where customers can pay off the depreciation of cars rather than the capital sum.

"The more such deals are offered, the more banks can compete with straight loans," says Mr Davies.

Banks are happy to allow their own finance houses to offer such products, providing they can achieve a return. Yet they are having to integrate the products that finance houses offer with the mainstream loans, with which branch managers are more familiar.

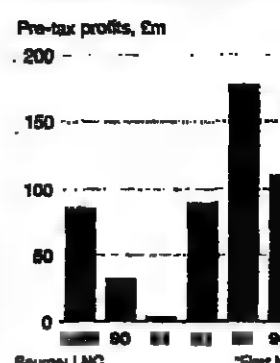
At the moment, finance houses seem a useful asset for banks at a time when demand for most assets is slack. But there are signs of narrowing margins as the finance houses compete more strongly. "We will probably see margins being squeezed because there is an oversupply in the industry," says Mr Picken.

Five year finance trends



Source: Finance & Leasing Association

Lombard North Central



Source: LNC

General Accident plc

RESULTS FOR SIX MONTHS ENDED 30TH JUNE 1994

	6 Months to 30.6.94 £m	6 Months to 30.6.93 £m	1993 Year £m
Premium Income	2,141.7	2,102.2	4,181.8
General Business	435.9	413.7	866.1
Long Term Business	2,577.6	2,515.9	5,047.9
Income	234.2	242.7	509.1
Estate Agency	(5.3)	(4.5)	(9.5)
Underwriting -			
Long Term Result	(44.9)	(125.0)	(229.0)
Long Term Profit	25.9	20.9	49.1
	209.9	134.1	319.7
Less: Finance & Loans	6.7	15.9	8.9
Employee Profit Sharing Scheme	-	-	-
Profit before Taxation	203.2	124.7	294.9
Taxation	48.0	20.7	49.6
Profit after Taxation	163.2	104.0	245.3
Minority Interest	1.7	(0.3)	0.7
Dividends	10.5	8.8	19.5
Profit attributable to			
Ordinary Shareholders	151.0	95.5	225.1
Earnings per Ordinary Share	33.4p	21.2p	30.0p
Principal exchange rates in translating overseas income			
U.S.A.	\$1.54	\$1.48	\$1.48
Canada	\$2.13	\$1.96	\$1.96

Notes
The above results of the General Accident Group for the six months ended 30th June 1994, are unaudited, and compared with those for the similar period in 1993, which were audited. The results are stated in £m and are the actual results for the full year 1993. The results do not comprise the statutory accounts for 1993 which have been audited and qualified and filed with the Registrar of Companies.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT

	6 Months to 30.6.94 £m	6 Months to 30.6.93 £m	1993 Year £m
U.K.	777.5	681.5	3.5
U.S.A.	633.8	683.7	(74.6)
Canada	294.1	316.0	(6.9)
Pacific	198.9	175.0	3.8
Europe other than U.K.	109.9	117.5	(19.4)
Other Overseas	61.8	48.5	(7.7)
London Market Business	-	-	-
Incl. Internal Reinsurance	(20.5)	79.0	(22.3)
	2,141.7	2,102.2	(125.0)

Commenting on the results, Mr. Nelson Robertson, General Accident's Group Chief Executive, said:

"Following a successful result in the first quarter, we produced a strong underwriting profit in the second quarter. This represents an improvement in our operating performance in the half year. A profit at the pre-tax level of £203m represents an increase of almost £80m over the first half of 1993, which was a period of significant recovery."

"In the U.K., we continued to benefit from maintaining underwriting procedures at the same level as the expanding portfolio. Mild weather during the period has contributed to the improvement in our U.K. underwriting."

"In the United States, we have seen improvement in the underlying profitability of our operations, although for the period we were adversely affected by weather in the opening quarter."

"Despite improvement in the second quarter, particularly in the Property and Casualty areas, the half year result was seriously affected by weather. Market conditions in the half year have improved and rating action is now beginning to reflect and should impact positively on the important U.S. and Pacific regions which produced an increased profit and good premium growth in the half year. In Europe, the welcome improvement reported earlier in the year has continued during the second quarter."

"We continue to be encouraged by our new production in the Life area which is making an increased contribution to profits."

"The strength of our recovery in the U.K. and the Pacific demonstrates that we have taken - and continue to take - have been effective. In our other major territories the full impact of remedial action has yet to appear but we are encouraged that positive signs of improvement are beginning to appear in both the U.K. and Europe despite difficult market conditions. We therefore look to the future with some confidence."

Term Business
The business in the United Kingdom for the first half of 1994 was £26.0m and single premiums £251.6m (£176.2m).

Dividend
The Directors declared an interim dividend of 10.1p per share for the year ending 31st December 1994 of 10.1p per share (1993: 9.7p per share) totalling £43.7m (£43.8m) payable on 1st January 1995 to ordinary shareholders on the Register of Members at close of business on 31st December 1994.

The Directors also offer ordinary shares in lieu of the cash dividend.

Net Assets Per Ordinary Share/Worldwide Solvency

	Current	31.12.93
Net Asset Value per Ordinary Share	541p	545p
Solvency Worldwide	541p	545p

Current figures are based on the latest available information in world equity and bond markets. They include appropriate provisions for taxation and trading up to 31st August 1994. The figures are based on the latest available information for approximately 8 points of the current solvency margin.

A full copy of the annual report and accounts for 1994 can be obtained from: The Secretary, General Accident plc, Pitheavlis, Perth, Scotland PH2 0NH.

O'Reilly lifts stake in SA newspaper group

By Tim Coone in Dublin

Independent Newspapers, the Irish publishing group controlled by Mr Tony O'Reilly, has lifted its stake in Argus Newspapers, the largest newspaper group in South Africa, from 30.1 per cent to 34.96 per cent, the maximum level permitted without triggering a full bid.

The additional 4.86m shares, taking Independent's stake to a total of 15.8m shares, were bought for £26.8m (£24.8m), or £1.74 per share.

This brings the total investment in the Argus group by

Independent Newspapers to 18.1m since last July, when it bought its initial stake in a share-swap deal with Johannesburg Consolidated Investment Company and Anglo-American Corporation.

Independent Newspapers is the largest single shareholder in Argus Newspapers. The only other significant shareholder is the Argus pension fund, which holds 10 per cent.

Mr James Parkinson, group finance director of Independent Newspapers, said yesterday that a full bid for Argus Newspapers was not being contemplated.

Independent Newspapers reported a 12.3p (7.7p) rise in its interim dividend, the 1.7p (1.6p) interim is the sole distribution for the year. Last year's total was 5p.

Ward Holdings

Ward Holdings, the house-builder and property group, returned to the black with a pre-tax profit of £2.08m for the six months to April 30.

The outcome compared with profits of £247,000, and was struck on turnover down by almost £2m to £17.7m.

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Notice to the Holders of KAWASAKI HEAVY INDUSTRIES, LTD.

(the "Company")

Warrants to subscribe up to 449,062,000 for shares of common stock of the Company in conjunction with the "Warrants 1994":

4 6/8 per cent. Notes 1994 with Warrants (the "Warrants 1994"):

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Bardon Group plc

US\$ 350,000,000
Revolving Credit Facility

Arranged by	Barclays Syndications	Bank plc
	NatWest Markets	Union Bank of Switzerland
Senior Lead Managers	Barclays Syndications	Midland Bank plc
	National Westminster Bank Plc	Union Bank of Switzerland
Lead Managers	BayBank	Clydesdale Bank PLC
Managers	AMRO Bank N.V.	Bank of Montreal
	Credit Lyonnais	Société Générale
Participants	Dai-ichi Kangyo Bank	The First National Bank of Maryland
	MeePierson N.V.	Westdeutsche Landesbank Girozentrale
	The Yasuda Trust and Banking Company Limited	
Facility Agent	Barclays Syndications	

St. George

U.S. \$100,000,000

Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period 10th August, 1994 to 10th November, 1994 the Notes will carry a Rate of Interest of 5.325% per annum. The Interest Amounts payable will be U.S. \$136.06 per U.S. \$100,000 Note and U.S. \$1,360.80 per U.S. \$100,000 Note. The Interest Payment Date will be 10th November, 1994.

Bankers' Trust Company, London

Agent Bank

Argus Fundamentals

Understand what is driving your business

COMMODITIES AND AGRICULTURE

Cautious increase in coffee futures

By Deborah Hargreaves

Coffee futures prices bounced back again yesterday after a sharp fall in the market ahead of a report from the US department of agriculture assessing the frost damage to Brazil's coffee trees which is due on Friday.

Soft commodities prices in general moved mostly as a result of technical buying and selling, but supplies in coffee, cocoa and

nor in the way this market is trading at the moment until the news about the crop report is out," said Ms Judy Gann, a market analyst at Lyndon & Co.

The USDA report will be released after the close of trading on Friday which means that prices will not be affected by findings until trading next Monday.

Cocoa prices jumped up in London trading on some technical buying and short-covering. The market closed \$24 a tonne higher at \$1,054 a tonne as some traders reported a growing interest from speculators and investment funds in cocoa trading.

"We're seeing lots of inquiries about growing involvement of hedge funds in the cocoa market in the past few weeks," said a US investment bank.

Aluminium pact success

By Kenneth Gooding, Mining Correspondent

Aluminium prices came yesterday to the unprecedented international trade agreement encouraging aluminium production, having a huge impact on the price of the metal.

Aluminium

LME 1 month, \$ per tonne



Source: FT

Chinese plan large geological survey

China, faced with increasing shortages of oil, gas, copper and other key minerals, plans a huge geological survey in the hope of boosting reserves, the official Xinhua news agency said, Reuters reports from Beijing.

The ministry of geology and mineral resources said it planned to survey 2m sq km of China's land mass before the year 2000, and 1m sq km more from 2001 to 2010.

Geological surveys should have been completed on 1.35m sq km of China's total land area of 9.6m sq km by 1995, ministry officials said, because existing deposits of oil and gas were insufficient.

Oil reserves of 15.9bn tonnes have been found in China over the past 40 years, and of the 4.4bn tonnes that can be extracted, 2.4bn have been pumped out, they said.

Prospecting for oil and gas will be intensified over the next 20 years in west China, in the hopes of finding large deposits in areas such as the Tarim and Junggar basins.

China has enough uranium deposits to meet its immediate needs, and because more nuclear power stations are planned, a general survey of uranium deposits will be launched in the next century, the officials added.

China's annual coal output will exceed 100m tonnes by 2000, they said.

Domestic iron ore is mostly low grade and will continue to import high grade, while finding more economical ways to treat low-grade ore, they said.

The ministry also plans to step up efforts to find new deposits of copper, for which China depended on imports for half of its needs.

The officials gave no more details.

Worm may turn India's exports

Kunal Bose on move to revolutionise the country's silk production and limit imports

India, a distant second to China in silk production, is hardly able to use 15 per cent of the indigenous silk yarn for making exportable silk goods.

While there is a big domestic market for silk saris and dress materials in India, much of the local yarn is not good enough in terms of strength and lustre for producing exportable items.

"Our export of silk goods is pathetically dependent on imported yarn," says Mr S. Shah, spokesman for the Silk Association of India. "We are importing 3,000 tonnes of yarn to sustain the production of exportable goods. Our principal source of import is China."

In spite of the structural weakness of the Indian silk sector, the export of silk goods was up 7.5 per cent to Rs 2,000 crore during the year to March 31.

In the past few years, however, India had recorded a much higher rate of export growth. The most important destination for Indian silk goods was western Europe, with a share of 43.5 per cent, followed by the US (39.4 per cent) and Asia (15.4 per cent).

The structural weakness resulting from over-dependence on the import of silk yarn cannot be overcome in the immediate future. The Central Silk Board is, however, banking on a Japanese government-funded project to develop a race of acclimatised bivoltine silkworms producing a stronger fibre than India's multivoltine worms. The richness of Chinese silk is due to the practice of bivoltine sericulture on a large scale.

China produces nearly 55,000 tonnes of silk yarn a year, of which as much as 35 per cent is exported. Mr P.S.S. Thomas, secretary of CSB, says: "The laboratory work on the development of bivoltine silkworms has been quite encouraging and we should be ready for field trials later this year."

In India, the cocoons created by multivoltine worms has a silk content of 17 per cent. But the silk content could go up to 24 per cent if taken by bivoltine worms.

But a breakthrough in sericulture has been taken for granted until the field trials are over. Bivoltine silk worms do well in temperate zones, but

most of India has a tropical climate. For the bivoltine project to succeed, the sericulturists must also be exposed to sophisticated rearing and reeling practices. In spite of the many uncertainties surrounding the project, Mr Thomas says it should be possible to produce 1,000 tonnes of bivoltine silk in 2½ years.

Self-reliance in raw silk is not a high priority in a regime of free trade where the import of silk yarn is allowed on condition of the export of silk goods (after a high degree of value addition). Nevertheless, the industry believes that if India is able to produce a "respectable quantity of good-quality bivoltine silk", then the silk trade will become stable.

According to industry officials, the past 18 months have shown how much the Indian trade in silk is influenced by Chinese prices. When China made a drastic cut in silk prices early last year, the bottom fell out of the Indian market and growers started losing interest in silk. Fortunately,

the cocoon and silk prices have once again started recovering. But this is also seen as a reaction to the revision in silk prices by China.

While the Central Sericulture Research Institute in Mysore is responsible for the development of bivoltine silkworms, the Indian Institute of Science at Bangalore has created the country's genetically engineered silkworms. The CSB behind the IIS project says a proper selection of genes "could revolutionise the Indian sericulture".

The genetically engineered silkworms should be able to withstand a virus attack, and it should be possible to produce coloured silk from them.

But Mr Thomas is not expecting a breakthrough overnight. "Anything to do with biotechnology needs time and investment," he says. "What the CSB is planning to do is to involve a number of national and foreign institutes to work on the development of new races of productive and disease resistant silkworms."

The challenge before India is to improve the growers' return from sericulture. With the pro-

ductivity of silk stagnating at less than 40kg a hectare (2.47t/acre) compared with more than 80kg in China, the growers may switch to crops such as cotton, sugarcane and oilseeds.

Because of the comparatively high returns from the other crops, sericulture, a six-year project funded by the World Bank, could make little headway in non-traditional silk-growing states such as Rajasthan and Gujarat. But in the five traditional silk-producing states of Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal and Jammu & Kashmir, as well as in non-traditional areas, bringing new areas under sericulture and changing silk growing practices is encouraging.

The CSB is hopeful that by 1996-97 when the World Bank project is over, the production of mulberry silk will have increased to 16,000 tonnes. When the project was launched in 1990, India's production of mulberry silk was only 10,000 tonnes, and much of it of inferior quality. This year, India is expecting a mulberry silk production of 14,425 tonnes.

Maize price slump expected

By Laura Morse in Chicago

The weather and favourable rains over the past month are expected to produce a near-record maize harvest in the US which could force prices down by as much as 20 per cent.

The US department of agriculture this morning is expected to forecast a maize crop of about 9.5bn bushels (1 bushel=36.7kg).

That figure would come close to equalling the harvest of 1993, when US farmers produced 9.5bn bushels.

It would also be well above last year's meagre 8.3bn bushel crop, which was affected by flooding during the growing season.

"We've got a big crop in super condition, and that typically means low prices and big demand," said Mr Bill Riederer, an analyst with the research firm Allendale, Inc.

This is good news for companies which store and handle grain, and for the railroads and barge lines that transport the crop.

Grain analysts predict that the price of a bushel of maize traded for December delivery at the Chicago Board of Trade could fall below \$1.80 - nearly 30 per cent lower than today's price.

However the price of maize has fallen steadily since early July, and other analysts are

less bullish in their outlook. "The US supply will be up, but the world supply will be almost unchanged," said Mr Daniel Rasse, a principal with Agresources in Chicago.

On the demand side, the USDA report is expected to reflect heavy maize consumption by the US livestock industry.

The USDA will also report on US soyabean production data today, and the average trade estimate is a harvest of around 2.3bn bushels.

That is also a much larger crop than last year, and producers will face competition from what promises to be a record Canadian canola harvest.

Russian threat hits nickel

NICKEL continued its plunge on the London Metal Exchange yesterday as the threat of large second-half Russian shipments undermined market sentiment. Support developed around the \$5,000 a tonne level, after an early fall to \$3,750, and at the close nickel was \$5,815.50, down \$38.50 from Tuesday.

LEAD - another metal where fears of further stock increases - following recent deliveries of Russian, Polish and Macedonian metal into LME warehouses - took their toll. Trade selling swamped initial commission house buying and touched off sell-stops down to \$565 before the price recovered to close at \$574.25 a tonne, down \$9.25.

ALUMINIUM benefited from a further fall in IPAI which complemented recent steady falls in LME stocks. Three-months delivery closed at \$1,470.75 a tonne, up \$1.00 from Monday.

Traders said aluminium could reach \$1,400 during the current season.

OIL prices fell as traders' attention shifted from the Nigerian oil market to worries about European supply. September European crude oil futures slid 17 cents to \$17.88 a barrel. The Nigerian strike has boosted oil prices by \$2 over the last month as the country's output of 1.5m barrels a day has been cut by 30 per cent. Compiled from Reuters

COMMODITIES INDEXES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1448.5-4 1470.5-1

Previous 1436-7 1465.5-6

High/Low 1436-7 1465.5-6

AM Official 1437.5-6 1466.5-7

Kerb close 1437.5-6 1466.5-7

Open int. 288.716

Total daily turnover 43,306

ALUMINIUM ALLOY (\$ per tonne)

Close 1280-5 1290-5

Previous 1280-5 1290-5

High/Low 1280-5 1290-5

AM Official 1280-5 1290-5

Kerb close 1280-5 1290-5

Open int. 2,817

Total daily turnover 1,878

LEAD (\$ per tonne)

Close 585-5 585-5

Previous 585-5 585-5

High/Low 585-5 585-5

AM Official 585-5 585-5

Kerb close 585-5 585-5

Open int. 41,370

Total daily turnover 1,188

NICKEL (\$ per tonne)

Close 5725-35 5815-5

Previous 5700-70 5800-50

High/Low 5700-70 5800-50

AM Official 5714-5 5803-3

Kerb close 5714-5 5803-3

Open int. 10,839

Total daily turnover 15,978

TIN (\$ per tonne)

Close 5105-15 5185-90

Previous 5085-95 5160-5

High/Low 5085-95 5160-5

AM Official 5105-15 5185-90

Kerb close 5105-15 5185-90

Open int. 18,178

Total daily turnover 3,915

ZINC, special high grade (\$ per tonne)

Close 921-2 954-5

Previous 920-5 951-0

High/Low 920-5 951-0

AM Official 921-2 954-5

Kerb close 921-2 954-5

Open int. 10,839

Total daily turnover 17,888

COPPER, grade 1 (\$ per tonne)

Close 2402.5-3.5 2410-1

Previous 2392-3 2397-0

High/Low 2392-3 2397-0

AM Official 2395-5 2396-4

Kerb close 2395-5 2396-4

Open int. 236,777

Total daily turnover 47,492

LME AM Official 5/8 mths 1,9407

LME Closing 5/8 mths 1,5286

Spot 1.5284 3 mths 1.5371 6 mths 1.5388 9 mths 1.5393

HIGH GRADE COPPER (COMEX)

Day's

Sett change High Low Vol

Aug 108.70 +1.70 108.70 108.00 364 180

Sep 108.55 +1.70 108.55 107.50 24,130 8,898

Oct 108.45 +1.65 108.45 107.50 69 20

Nov 108.45 +1.65 108.45 107.50 1 1

Jan 108.25 +1.55 108.25 107.50 44,320 6,885

Total

PRECIOUS METALS continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Sett change High Low Vol

Aug 377.1 -0.2 377.1 377.5 800 100

Sep 377.1 -0.2 377.1 377.5 10,077 410

Oct 377.1 -0.2 377.1 377.5 13,730 1,730

Nov 377.1 -0.2 377.1 377.5 1,232 142

Dec 377.1 -0.2 377.1 377.5 1,232 142

Jan 377.1 -0.2 377.1 377.5 1,232 142

Total

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Sett change High Low Vol

Aug 481.1 +2.8 481.1 481.5 1,000 1,000

Sep 481.1 +2.8 481.1 481.5 1,000 1,000

Oct 481.1 +2.8 481.1 481.5 1,000 1,000

Nov 481.1 +2.8 481.1 481.5 1,000 1,000

Dec 481.1 +2.8 481.1 481.5 1,000 1,000

Jan 481.1 +2.8 481.1 481.5 1,000 1,000

Total

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Sett change High Low Vol

Aug 154.70 +0.40 154.70 154.80 1,000 1,000

Sep 154.70 +0.40 154.70 154.80 1,000 1,000

Oct 154.70 +0.40 154.70 154.80 1,000 1,000

Nov 154.70 +0.40 154.70 154.80 1,000 1,000

Dec 154.70 +0.40 154.70 154.80 1,000 1,000

Jan 154.70 +0.40 154.70 154.80 1,000 1,000

Total

SILVER COMEX (100 Troy oz; \$/troy oz)

Sett change High Low Vol

Aug 512.4 +1.0 512.4 512.4 1,000 1,000

Sep 512.4 +1.0 512.4 512.4 1,000 1,000

Oct 512.4 +1.0 512.4 512.4 1,000 1,000

Nov 512.4 +1.0 512.4 512.4 1,000 1,000

Dec 512.4 +1.0 512.4 512.4 1,000 1,000

Jan 512.4 +1.0 512.4 512.4 1,000 1,000

Total

CRUDE OIL NYMEX (42,000 US bbl; \$/bbl)

Sett change High Low Vol

Aug 18.00 +0.25 18.00 18.14 44,425 44,425

Sep 18.00 +0.25 18.00 18.14 44,425 44,425

Oct 18.00 +0.25 18.00 18.14 44,425 44,425

Nov 18.00 +0.25 18.00 18.14 44,425 44,425

Dec 18.00 +0.25 18.00 18.14 44,425 44,425

Jan 18.00 +0.25 18.00 18.14 44,425 44,425

Total

CRUDE OIL ICE (100,000 US bbl; \$/bbl)

Sett change High Low Vol

Aug 18.00 +0.25 18.00 18.14 44,425 44,425

Sep 18.00 +0.25 18.00 18.14 44,425 44,425

Oct 18.00 +0.25 18.00 18.14 44,425 44,425

Nov 18.00 +0.25 18.00 18.14 44,425 44,425

Dec 18.00 +0.25 18.00 18.14 44,425 44,425

Jan 18.00 +0.25 18.00 18.14 44,425 44,425

Total

HEATING OIL NYMEX (42,000 US bbl; \$/bbl)

Sett change High Low Vol

Aug 18.00 +0.25 18.00 18.14 44,425 44,425

Sep 18.00 +0.25 18.00 18.14 44,425 44,425

Oct 18.00 +0.25 18.00 18.14 44,425 44,425

Nov 18.00 +0.25 18.00 18.14 44,425 44,425

Dec 18.00 +0.25 18.00 18.14 44,425 44,425

Jan 18.00 +0.25 18.00 18.14 44,425 44,425

Total

NATURAL GAS NYMEX (10,000 cu ft; \$/cu ft)

Sett change High Low Vol

Aug 1.80 +0.02 1.80 1.80 12,085 12,085

Sep 1.80 +0.02 1.80 1.80 12,085 12,085

Oct 1.80 +0.02 1.80 1.80 12,085 12,085

Nov 1.80 +0.02 1.80 1.80 12,085 12,085

Dec 1.80 +0.02 1.80 1.80 12,085 12,085

LONDON STOCK EXCHANGE

MARKET REPORT

Equities rally after challenging support level

By Terry Byland, UK Stock Market Editor

London traders continued to watch the US closely yesterday, and both gilt-edged securities and shares again staged a cautious rally towards the close as the dollar improved following first reports from the Congressional appearance of Mr Alan Greenspan, chairman of the US Federal Reserve Board. However, London traders went home still waiting for the outcome of the auction of \$12bn Federal bonds.

An early loss of 16.4 points on the FT-SE 100 index was cut to a mere 1.6 at the final reading of 3,167. The low of the day saw a challenge to the Footsie 3,162 area, which is regarded as an important support level.

But trading volume was very low

In the early part of the session and a later improvement in part completion of Monday's trading programme, which is now thought to have been close to \$200m worth of equities across the range of the market.

The market continued to focus on prospects for US markets as they take aboard Mr Greenspan's testimony and this week's heavy funding programme which continues tomorrow, and will be preceded by important statistics on US retail sales, producer prices and unemployment claims.

On the domestic front, equities were also subdued at first by release of the minutes of last month's meeting between Mr Kenneth Clarke, UK Chancellor of the Exchequer, and Mr Eddie George, governor of the Bank of England.

The governor's comment that base rates will be "sooner rather than later" reinforced market views that base rates will be lifted from their present 5 1/2 per cent level well before the end of the year, and perhaps as soon as next month.

However, many analysts believe that a 1/4 percentage point or even a half-point rise in base rates might be taken in its stride by a market still responding to a steady flow of good company profits and higher dividends.

UK government bonds staged a good recovery to close firmer on the day, and this buttressed the rally in equities. The second-line stocks were the bid for Groupe Victor, of France, were absorbed by the market.

around 57 per cent of the day's Seaq total of 538m shares. On Tuesday, 665.5m shares in UK companies were traded, bringing a strong retail bid by value of £1.52bn. The London market appears to have continued to attract investors from Europe and the US throughout its recent sluggish trading period.

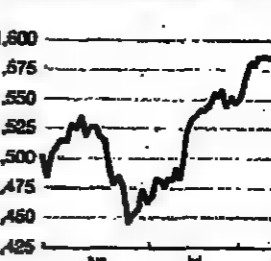
Strength in the pharmaceutical and oil sectors, both well supported from the US, helped to rally the market as well as to offset weakness among Far Eastern banks in spite of good half-time figures from Standard Chartered. The insurance sector was subdued, the exception being Commercial Union as the first-half results and the details of the bid for Groupe Victor, of France, were absorbed by the market.

UK banks turned in a mixed performance, with Barclays giving a lead in the gain which greeted the half-time profits announced in the previous session. Company trading reports brought a number of features elsewhere in a generally subdued market.

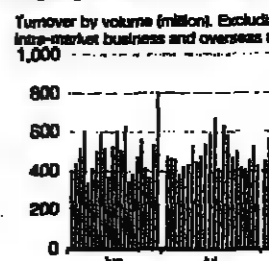
Market strategists were beginning to focus on next week's meeting of the US Federal Open Market Committee which will be discussing monetary policy against a background of US economic growth in the 1 1/2%.

At home, similar factors apply, and yesterday's publication of the early July meeting of the Chancellor and the Governor of the Bank of England has turned the market's attention to next week's heavy list of UK data on domestic inflation and unemployment.

FT-SE-A All-Share Index



Equity Shares Traded



Key Indicators

Indicator	Value	Change
FT-SE 100	3167.0	-1.6
FT-SE Mid 250	3171.0	-0.5
FT-SE A 350	1598.1	-1.6
FT-SE A All-Share	1598.1	-1.6
FT-SE A All-Share yield	2.7	(3.75)

Best performing sectors

Sector	Change
Pharmaceuticals	+1.5
Other Financial	+0.7
Consumer Goods	+0.5
Diversified Inds	+0.5
Media	+0.5

Worst performing sectors

Sector	Change
Electricity	-1.2
Gas Distribution	-1.2
Banks	-0.9
Other Services & Bns	-0.8
Merchant Banks	-0.8

Glaxo in demand from US

Heavy US buying of Glaxo ensured that the pharmaceutical group was the market's star performer yesterday. The buying reflected technical position-taking rather than an investment response to a new version of Zimac, its headline anti-ulcer treatment.

The shares saw continuing support from a more positive stance taken by Goldman

Sachs at the end of last week. Also, there was a rush of what one dealer described as "panic covering" by US hedge funds. The leveraged investment funds had sold stock on concern over slowing sales growth for Zimac, which represents about 44 per cent of group profits.

Apparently the short position in the US had reached 15m Glaxo American Depository Receipts, the equivalent of 20m shares. The feeling was that stock had run down too far and the bears were scurrying for cover. The squeeze sent the shares racing up 20 at one stage before closing a net 17 higher at 628p on turnover of

5m. One international arbitrage dealer said: "I think the panickers have panicked enough, and Glaxo could consolidate at this chart level."

The buying of the shares reignited the bid speculation that now hovers over Wellcome, Zeneca, and other pharmaceuticals.

The regional electricity (recs) came under substantial

selling pressure in mid-session but began to pick up during the late afternoon as rumours concerning the distribution review, due to be announced

this morning, circulated in the market. Shares in the recs rocketed back up as the market picked up hints that the review would be much more lenient to the companies than had previously been expected.

Dealers said the late surge saw stock being taken aggressively from the inter-dealer broker screens, and they warned that much of the expected good news, as far as the market was concerned, was already in prices of the recs. They did, however, expect a burst of switching activity among the 12 recs after the review news is made public.

Utilities specialists said the

market had already factored in an average price reduction of 15 per cent plus a price formula giving the companies price rises of inflation minus 3 to 4 per cent. "The review will have to produce something exceptional to trigger any further big gains in the short term," said one specialist.

However, there were suggestions late yesterday that the price formula could come in as low as inflation minus 2 per cent. If so, analysts predicted a further series of strong rises in the sector.

Eastern Electricity was an exception to the general rule, making good progress throughout the day to close 5 higher at 70p after strong buying interest from the US.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS: BAXTER'S (1) 100p, BAXTER'S (2) 100p, BAXTER'S (3) 100p, BAXTER'S (4) 100p, BAXTER'S (5) 100p, BAXTER'S (6) 100p, BAXTER'S (7) 100p, BAXTER'S (8) 100p, BAXTER'S (9) 100p, BAXTER'S (10) 100p, BAXTER'S (11) 100p, BAXTER'S (12) 100p, BAXTER'S (13) 100p, BAXTER'S (14) 100p, BAXTER'S (15) 100p, BAXTER'S (16) 100p, BAXTER'S (17) 100p, BAXTER'S (18) 100p, BAXTER'S (19) 100p, BAXTER'S (20) 100p, BAXTER'S (21) 100p, BAXTER'S (22) 100p, BAXTER'S (23) 100p, BAXTER'S (24) 100p, BAXTER'S (25) 100p, BAXTER'S (26) 100p, BAXTER'S (27) 100p, BAXTER'S (28) 100p, BAXTER'S (29) 100p, BAXTER'S (30) 100p, BAXTER'S (31) 100p, BAXTER'S (32) 100p, BAXTER'S (33) 100p, BAXTER'S (34) 100p, BAXTER'S (35) 100p, BAXTER'S (36) 100p, BAXTER'S (37) 100p, BAXTER'S (38) 100p, BAXTER'S (39) 100p, BAXTER'S (40) 100p, BAXTER'S (41) 100p, BAXTER'S (42) 100p, BAXTER'S (43) 100p, BAXTER'S (44) 100p, BAXTER'S (45) 100p, BAXTER'S (46) 100p, BAXTER'S (47) 100p, BAXTER'S (48) 100p, BAXTER'S (49) 100p, BAXTER'S (50) 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SA Brown		EX211
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Spain	124.24	134.28	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133.98	133
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[illegible][illegible][illegible]

TIME: The time shown alongside the trust manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (P) - 0001-1100 hours; (M) - 1101-1400 hours; (A) - 1401-1700 hours; (E) - 1701-2400 hours. Daily dealing prices are set on the basis of the valuation point; a short period of these may elapse before prices become available.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

55 Life Assurance and Unit Trust Regulatory Organisations,
Centre Point,
103 New Oxford Street, London WC1A 10H
Tel: 021-579-8444.

[illegible][illegible][illegible]

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DATE 07-07-04 BY 60322 UCBAW

World Fed.	147.87	148.44	148.48	+0.33
(Access Units)	82.16	82.51	85.87	+0.82
	86.39	86.74	82.52	+0.82

Preference	1987/2	1987/3
(Aachen Union)	120.45	120.45
Tiger	804.46	804.46
Agartha Union	598.25	598.25
UK Blue Chip	311.21	311.21
(Aachen Union)	81.98	81.98
	85.21	85.21

13. 82.5

هنگام ازدواج

سنة ١٤١٥

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 573 4378 for more details.

OTHER UK UNIT TRUSTS									
Unit Trust	Investment	Units	Price	NAV	YTD %	1Y %	3Y %	5Y %	10Y %
Bellefleur & Co Ltd									
Bellefleur Fund	Equity	100	1.00	1.00	10.0	15.0	20.0	25.0	30.0
Bellefleur Growth	Equity	100	1.00	1.00	12.0	18.0	22.0	28.0	32.0
Bellefleur Income	Fixed Income	100	1.00	1.00	5.0	8.0	10.0	12.0	15.0
Bellefleur Bond	Fixed Income	100	1.00	1.00	4.0	7.0	9.0	11.0	14.0
Bellefleur Property	Real Estate	100	1.00	1.00	6.0	9.0	12.0	15.0	18.0
Bellefleur Divers	Diversified	100	1.00	1.00	8.0	11.0	14.0	17.0	20.0
Bellefleur Asia	Asia	100	1.00	1.00	15.0	20.0	25.0	30.0	35.0
Bellefleur Europe	Europe	100	1.00	1.00	10.0	15.0	20.0	25.0	30.0
Bellefleur US	US	100	1.00	1.00	12.0	18.0	22.0	28.0	32.0
Bellefleur Japan	Japan	100	1.00	1.00	18.0	22.0	28.0	32.0	38.0
Bellefleur Australia	Australia	100	1.00	1.00	14.0	18.0	22.0	28.0	32.0
Bellefleur New Zealand	New Zealand	100	1.00	1.00	16.0	20.0	24.0	28.0	32.0
Bellefleur South Africa	South Africa	100	1.00	1.00	17.0	21.0	25.0	29.0	33.0
Bellefleur Latin America	Latin America	100	1.00	1.00	19.0	23.0	27.0	31.0	35.0
Bellefleur Middle East	Middle East	100	1.00	1.00	20.0	24.0	28.0	32.0	36.0
Bellefleur Russia	Russia	100	1.00	1.00	21.0	25.0	29.0	33.0	37.0
Bellefleur Eastern Europe	Eastern Europe	100	1.00	1.00	22.0	26.0	30.0	34.0	38.0
Bellefleur Africa	Africa	100	1.00	1.00	23.0	27.0	31.0	35.0	39.0
Bellefleur Asia Pacific	Asia Pacific	100	1.00	1.00	24.0	28.0	32.0	36.0	40.0
Bellefleur Europe Pacific	Europe Pacific	100	1.00	1.00	25.0	29.0	33.0	37.0	41.0
Bellefleur US Pacific	US Pacific	100	1.00	1.00	26.0	30.0	34.0	38.0	42.0
Bellefleur Japan Pacific	Japan Pacific	100	1.00	1.00	27.0	31.0	35.0	39.0	43.0
Bellefleur Australia Pacific	Australia Pacific	100	1.00	1.00	28.0	32.0	36.0	40.0	44.0
Bellefleur New Zealand Pacific	New Zealand Pacific	100	1.00	1.00	29.0	33.0	37.0	41.0	45.0
Bellefleur South Africa Pacific	South Africa Pacific	100	1.00	1.00	30.0	34.0	38.0	42.0	46.0
Bellefleur Latin America Pacific	Latin America Pacific	100	1.00	1.00	31.0	35.0	39.0	43.0	47.0
Bellefleur Middle East Pacific	Middle East Pacific	100	1.00	1.00	32.0	36.0	40.0	44.0	48.0
Bellefleur Russia Pacific	Russia Pacific	100	1.00	1.00	33.0	37.0	41.0	45.0	49.0
Bellefleur Eastern Europe Pacific	Eastern Europe Pacific	100	1.00	1.00	34.0	38.0	42.0	46.0	50.0
Bellefleur Africa Pacific	Africa Pacific	100	1.00	1.00	35.0	39.0	43.0	47.0	51.0
Bellefleur Asia Pacific Pacific	Asia Pacific Pacific	100	1.00	1.00	36.0	40.0	44.0	48.0	52.0
Bellefleur Europe Pacific Pacific	Europe Pacific Pacific	100	1.00	1.00	37.0	41.0	45.0	49.0	53.0
Bellefleur US Pacific Pacific	US Pacific Pacific	100	1.00	1.00	38.0	42.0	46.0	50.0	54.0
Bellefleur Japan Pacific Pacific	Japan Pacific Pacific	100	1.00	1.00	39.0	43.0	47.0	51.0	55.0
Bellefleur Australia Pacific Pacific	Australia Pacific Pacific	100	1.00	1.00	40.0	44.0	48.0	52.0	56.0
Bellefleur New Zealand Pacific Pacific	New Zealand Pacific Pacific	100	1.00	1.00	41.0	45.0	49.0	53.0	57.0
Bellefleur South Africa Pacific Pacific	South Africa Pacific Pacific	100	1.00	1.00	42.0	46.0	50.0	54.0	58.0
Bellefleur Latin America Pacific Pacific	Latin America Pacific Pacific	100	1.00	1.00	43.0	47.0	51.0	55.0	59.0
Bellefleur Middle East Pacific Pacific	Middle East Pacific Pacific	100	1.00	1.00	44.0	48.0	52.0	56.0	60.0
Bellefleur Russia Pacific Pacific	Russia Pacific Pacific	100	1.00	1.00	45.0	49.0	53.0	57.0	61.0
Bellefleur Eastern Europe Pacific Pacific	Eastern Europe Pacific Pacific	100	1.00	1.00	46.0	50.0	54.0	58.0	62.0
Bellefleur Africa Pacific Pacific	Africa Pacific Pacific	100	1.00	1.00	47.0	51.0	55.0	59.0	63.0
Bellefleur Asia Pacific Pacific Pacific	Asia Pacific Pacific Pacific	100	1.00	1.00	48.0	52.0	56.0	60.0	64.0
Bellefleur Europe Pacific Pacific Pacific	Europe Pacific Pacific Pacific	100	1.00	1.00	49.0	53.0	57.0	61.0	65.0
Bellefleur US Pacific Pacific Pacific	US Pacific Pacific Pacific	100	1.00	1.00	50.0	54.0	58.0	62.0	66.0
Bellefleur Japan Pacific Pacific Pacific	Japan Pacific Pacific Pacific	100	1.00	1.00	51.0	55.0	59.0	63.0	67.0
Bellefleur Australia Pacific Pacific Pacific	Australia Pacific Pacific Pacific	100	1.00	1.00	52.0	56.0	60.0	64.0	68.0
Bellefleur New Zealand Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific	100	1.00	1.00	53.0	57.0	61.0	65.0	69.0
Bellefleur South Africa Pacific Pacific Pacific	South Africa Pacific Pacific Pacific	100	1.00	1.00	54.0	58.0	62.0	66.0	70.0
Bellefleur Latin America Pacific Pacific Pacific	Latin America Pacific Pacific Pacific	100	1.00	1.00	55.0	59.0	63.0	67.0	71.0
Bellefleur Middle East Pacific Pacific Pacific	Middle East Pacific Pacific Pacific	100	1.00	1.00	56.0	60.0	64.0	68.0	72.0
Bellefleur Russia Pacific Pacific Pacific	Russia Pacific Pacific Pacific	100	1.00	1.00	57.0	61.0	65.0	69.0	73.0
Bellefleur Eastern Europe Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific	100	1.00	1.00	58.0	62.0	66.0	70.0	74.0
Bellefleur Africa Pacific Pacific Pacific	Africa Pacific Pacific Pacific	100	1.00	1.00	59.0	63.0	67.0	71.0	75.0
Bellefleur Asia Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific	100	1.00	1.00	60.0	64.0	68.0	72.0	76.0
Bellefleur Europe Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific	100	1.00	1.00	61.0	65.0	69.0	73.0	77.0
Bellefleur US Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific	100	1.00	1.00	62.0	66.0	70.0	74.0	78.0
Bellefleur Japan Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific	100	1.00	1.00	63.0	67.0	71.0	75.0	79.0
Bellefleur Australia Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific	100	1.00	1.00	64.0	68.0	72.0	76.0	80.0
Bellefleur New Zealand Pacific Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific Pacific	100	1.00	1.00	65.0	69.0	73.0	77.0	81.0
Bellefleur South Africa Pacific Pacific Pacific Pacific	South Africa Pacific Pacific Pacific Pacific	100	1.00	1.00	66.0	70.0	74.0	78.0	82.0
Bellefleur Latin America Pacific Pacific Pacific Pacific	Latin America Pacific Pacific Pacific Pacific	100	1.00	1.00	67.0	71.0	75.0	79.0	83.0
Bellefleur Middle East Pacific Pacific Pacific Pacific	Middle East Pacific Pacific Pacific Pacific	100	1.00	1.00	68.0	72.0	76.0	80.0	84.0
Bellefleur Russia Pacific Pacific Pacific Pacific	Russia Pacific Pacific Pacific Pacific	100	1.00	1.00	69.0	73.0	77.0	81.0	85.0
Bellefleur Eastern Europe Pacific Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific Pacific	100	1.00	1.00	70.0	74.0	78.0	82.0	86.0
Bellefleur Africa Pacific Pacific Pacific Pacific	Africa Pacific Pacific Pacific Pacific	100	1.00	1.00	71.0	75.0	79.0	83.0	87.0
Bellefleur Asia Pacific Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	72.0	76.0	80.0	84.0	88.0
Bellefleur Europe Pacific Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	73.0	77.0	81.0	85.0	89.0
Bellefleur US Pacific Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	74.0	78.0	82.0	86.0	90.0
Bellefleur Japan Pacific Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	75.0	79.0	83.0	87.0	91.0
Bellefleur Australia Pacific Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	76.0	80.0	84.0	88.0	92.0
Bellefleur New Zealand Pacific Pacific Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	77.0	81.0	85.0	89.0	93.0
Bellefleur South Africa Pacific Pacific Pacific Pacific Pacific	South Africa Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	78.0	82.0	86.0	90.0	94.0
Bellefleur Latin America Pacific Pacific Pacific Pacific Pacific	Latin America Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	79.0	83.0	87.0	91.0	95.0
Bellefleur Middle East Pacific Pacific Pacific Pacific Pacific	Middle East Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	80.0	84.0	88.0	92.0	96.0
Bellefleur Russia Pacific Pacific Pacific Pacific Pacific	Russia Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	81.0	85.0	89.0	93.0	97.0
Bellefleur Eastern Europe Pacific Pacific Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	82.0	86.0	90.0	94.0	98.0
Bellefleur Africa Pacific Pacific Pacific Pacific Pacific	Africa Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	83.0	87.0	91.0	95.0	99.0
Bellefleur Asia Pacific Pacific Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	84.0	88.0	92.0	96.0	100.0
Bellefleur Europe Pacific Pacific Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	85.0	89.0	93.0	97.0	101.0
Bellefleur US Pacific Pacific Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	86.0	90.0	94.0	98.0	102.0
Bellefleur Japan Pacific Pacific Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	87.0	91.0	95.0	99.0	103.0
Bellefleur Australia Pacific Pacific Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	88.0	92.0	96.0	100.0	104.0
Bellefleur New Zealand Pacific Pacific Pacific Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	89.0	93.0	97.0	101.0	105.0
Bellefleur South Africa Pacific Pacific Pacific Pacific Pacific Pacific	South Africa Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	90.0	94.0	98.0	102.0	106.0
Bellefleur Latin America Pacific Pacific Pacific Pacific Pacific Pacific	Latin America Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	91.0	95.0	99.0	103.0	107.0
Bellefleur Middle East Pacific Pacific Pacific Pacific Pacific Pacific	Middle East Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	92.0	96.0	100.0	104.0	108.0
Bellefleur Russia Pacific Pacific Pacific Pacific Pacific Pacific	Russia Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	93.0	97.0	101.0	105.0	109.0
Bellefleur Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	94.0	98.0	102.0	106.0	110.0
Bellefleur Africa Pacific Pacific Pacific Pacific Pacific Pacific	Africa Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	95.0	99.0	103.0	107.0	111.0
Bellefleur Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	96.0	100.0	104.0	108.0	112.0
Bellefleur Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	97.0	101.0	105.0	109.0	113.0
Bellefleur US Pacific Pacific Pacific Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	98.0	102.0	106.0	110.0	114.0
Bellefleur Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	99.0	103.0	107.0	111.0	115.0
Bellefleur Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	100.0	104.0	108.0	112.0	116.0
Bellefleur New Zealand Pacific Pacific Pacific Pacific Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	101.0	105.0	109.0	113.0	117.0
Bellefleur South Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific	South Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	102.0	106.0	110.0	114.0	118.0
Bellefleur Latin America Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Latin America Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	103.0	107.0	111.0	115.0	119.0
Bellefleur Middle East Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Middle East Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	104.0	108.0	112.0	116.0	120.0
Bellefleur Russia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Russia Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	105.0	109.0	113.0	117.0	121.0
Bellefleur Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	106.0	110.0	114.0	118.0	122.0
Bellefleur Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	107.0	111.0	115.0	119.0	123.0
Bellefleur Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	108.0	112.0	116.0	120.0	124.0
Bellefleur Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	109.0	113.0	117.0	121.0	125.0
Bellefleur US Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	110.0	114.0	118.0	122.0	126.0
Bellefleur Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	111.0	115.0	119.0	123.0	127.0
Bellefleur Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	112.0	116.0	120.0	124.0	128.0
Bellefleur New Zealand Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	New Zealand Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	113.0	117.0	121.0	125.0	129.0
Bellefleur South Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	South Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	114.0	118.0	122.0	126.0	130.0
Bellefleur Latin America Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Latin America Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	115.0	119.0	123.0	127.0	131.0
Bellefleur Middle East Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Middle East Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	116.0	120.0	124.0	128.0	132.0
Bellefleur Russia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Russia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	117.0	121.0	125.0	129.0	133.0
Bellefleur Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Eastern Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	118.0	122.0	126.0	130.0	134.0
Bellefleur Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Africa Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	119.0	123.0	127.0	131.0	135.0
Bellefleur Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Asia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	120.0	124.0	128.0	132.0	136.0
Bellefleur Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Europe Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	121.0	125.0	129.0	133.0	137.0
Bellefleur US Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	US Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	122.0	126.0	130.0	134.0	138.0
Bellefleur Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Japan Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100	1.00	1.00	123.0	127.0	131.0	135.0	139.0
Bellefleur Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	Australia Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific Pacific	100							

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AMERICA

Program buying helps Dow to modest rise

Wall Street

Computerised program buying helped US share prices post modest gains across the board yesterday morning, although many participants remained on the sidelines waiting to see how the bond market would react to the important afternoon auction of new government securities, writes Patrick Harverson in New York.

By 1 pm, the Dow Jones Industrial Average was 13.59 higher at 3,769.35. The more broadly based Standard & Poor's 500 was also moderately firmer at the halfway mark, up 1.85 at 253.92, while the American Stock Exchange composite moved forward 1.27 to 443.49 and the Nasdaq composite added 4.18 at 726.79.

Trading volume on the New York SE came to 157m shares by 1 pm.

As during the first two days of the week, there was little interest in buying stocks among retail investors at the opening yesterday, primarily because they were waiting for a lead from the bond market, which was in the middle of digesting billions of dollars of new government securities.

The second leg of the Treasury's quarterly refunding round - the sale of \$12bn in 10-year notes - was due during the afternoon, and bond prices were subdued ahead of the auction. Share prices were also little changed, although later in the morning some selected program buying helped stocks to edge higher.

Investors were also reluctant to commit funds to the market because of the impending inflation news.

Today the government releases the July producer price index, followed by the July consumer price index a day later.

Both figures are nervously awaited by the markets because, if inflation is shown to be gathering pace, the Federal Reserve could decide to sanction another interest rate increase to slow down the economy, and with it inflation. Such a move would depress stock prices, although growing expectations of another monetary policy tightening means that the impact of a rate increase, in part, has been priced into the market already.

Among individual stocks, a broad group of leading issues were firmer, with Minnesota Mining & Manufacturing up \$1 at \$55.75, Procter & Gamble (which reported a 24 per cent jump in second-quarter underlying earnings yesterday) ahead \$1/4 at \$54.75 and Union Carbide \$1/2 firmer at \$33.75.

Among the biggest losers of the day was Dillard Department Stores. Shares in the retailer dropped \$4 1/2 to \$27.00 on 2.5m shares traded, as investors reacted harshly to news of second-quarter earnings that were below market expectations.

Reports that Kidder, Peabody, the troubled Wall Street investment bank, lost between \$50m and \$60m in the month of July, mostly because of problems in the mortgage-backed securities market, unsettled the shares of its parent group, General Electric, which fell \$1 to \$47.75 in heavy trading.

On the Nasdaq market, Lotus jumped \$3 to \$38.75 in volume of 2.7m shares after the company said that it was enter-

ing into a world-wide marketing and product development pact with the leading chip-maker Intel.

Shares in Intel were also higher yesterday, showing a gain of \$4 at \$59.75.

Canada

Toronto stocks continued higher in quiet midday trade, supported by recent strength in the Canadian dollar. The TSX 300 composite index moved ahead 14.70 to 4,901.00 in volume of 30.58m shares valued at \$4.02bn.

Advances led declines by 287 to 248, with 309 issues unchanged. The communications sector index rose 42.15 to 8,568.41, led by Rogers Communications "R", up C\$4 to C\$21 as investors reacted positively to the group's second-quarter results. Transportation stocks gained 35.77 at 4,329.53, majoring on Air Canada which put on C\$4 at C\$74.

Mexico

Mexican shares opened higher, boosted by another sharp cut in interest rates.

It was the second reduction in rates in a week and took some investors by surprise - the Treasury Bill or 28-day Cetes was cut by 65 basis points to 18.15 per cent.

The IPC index was up 3.64 at 2,568.60 in early trading in turnover of 196.5m pesos.

Telmex "T" series shares, available to foreign investors, were unchanged at 10.74 pesos. Among banks, Grupo Financiero Bancomer "C" shares were flat at 4.58 pesos and Banamex "C" stock was up 40 centavos at 24.90 pesos.

EUROPE

Hoogovens leads Dutch blue chip gains

Wall Street gains, warmer bond markets, and corporate news gave bourses a lift yesterday, writes Our Markets Staff.

AMSTERDAM featured some impressive rises among the blue chip stocks, none more so than a 4.6 per cent advance in Hoogovens after the metals group pleased investors with first-half results at the top end of analysts' expectations. The market was also encouraged by the company's forecast that second-half results would see a considerable improvement from the first six months.

The AEX index added 0.79 at 417.62.

Other strong gains came from DSM, up 2.5 per cent at F114.10 and Elsevier, ahead 2.3 per cent at F174.00.

Heineken, off F13.30 at F132.50, announced after the close of trading that it was to lift its stake in Spanish brewer El Aguila to 64 per cent from 51.2 per cent.

FRANKFURT reflected a volatile bond market, said Mr John Blackley at James Capel, running twice through the cycle of weakness followed by recovery during the official equity session, and the post-bourse.

The Dax index closed the session 3.83 down at 2,160.37 after

a day's low of 2,159.70, and eventually recovered to 2,165.51 after hours, 5.59 higher than it was at the end of Tuesday afternoon.

Turnover stayed low at DM5.5bn after DM5.4bn, and in these illiquid conditions a number of shares reversed sharp movements which they had seen a day earlier.

Degussa, for example, saw profit-taking after earlier gains on a good half-year result, and the chemicals to gold refining group's shares dropped DM11 to DM52.50 after a DM6.50 rise on Tuesday.

Siemens followers, meanwhile, decided that Tuesday's resumption of a Hansau plant project, following a favourable court decision, was good for the shares, which rose DM5 to DM88.50 by the post-bourse close after Tuesday's session fell to DM9.10.

PARIS suffered an interruption in trading as lightning hit the bourse's computer system, but the system came back on stream before the end of the session, leaving the CAC-40 index down 10.31 at 2,064.17.

Turnover remained weak at FF2.7bn.

A raft of first-half sales figures did nothing to excite interest, especially as most of

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Aug 0	
Hourly changes	10pm	10.30	11.00	12.00	13.00	14.00	15.00	16.00	17.00	Chase	
FT-SE Eurobank 100	1286.26	1285.57	1285.53	1281.48	1281.54	1281.54	1283.05	1283.00	1283.00	1283.00	
FT-SE Eurobank 200	1434.45	1432.88	1431.67	1429.28	1429.72	1429.72	1430.82	1432.61	1432.61	1432.61	
	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Aug 0	
FT-SE Eurobank 100	1289.35	1400.18	1400.12	1400.28	1400.28	1400.28	1413.67	1413.67	1413.67	1413.67	
FT-SE Eurobank 200	1438.28	1450.01	1448.00	1446.00	1446.00	1446.01	1482.21	1482.21	1482.21	1482.21	
Item sizes (1000000): Right-hand: 10m - 1286.26 - 1432.88 - 1450.01 Left-hand: 10m - 1280.48 - 1400.28 - 1438.00											